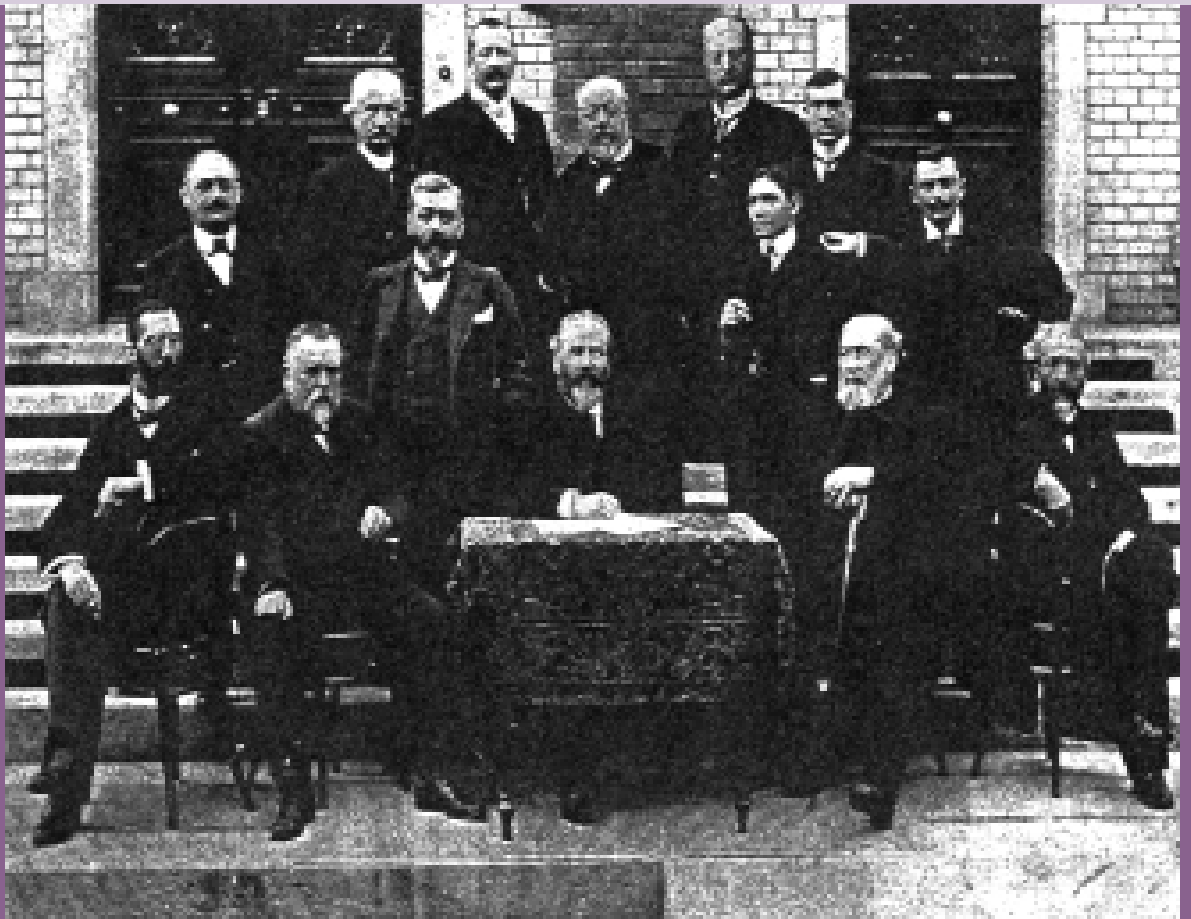


Holm Arno Leonhardt

THE DEVELOPMENT OF CARTEL+ THEORY BETWEEN 1883 AND THE 1930s

FROM INTERNATIONAL DIVERSITY TO CONVERGENCE



Syndicats industriels
Ententes
Comptoirs
Trusts
Pools
Combinations
Associations
Kartells
Cartelle
Unternehmerverbände



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Combinations, Associations, Kartells, Cartelle, Unternehmerverbände

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About the author



Holm Arno Leonhardt is a German scientist in the fields of International Relations and economic history, especially in the realm of cartel history and theory. He was born in 1952 in Manila (Philippines), studied politics, sociology, economic theory and public law at the German universities of Göttingen and Hannover. Since 1985 he is occupied as an academic librarian mainly in subject cataloguing.

Since the 1970s, Leonhardt has been interested in *cartels* as a special phenomenon of social organization. The author stands for a wide definition of «cartel» in the sense of an «alliance of rivals». To him, all coalitions for special interests, including international organizations like the United Nations, the European Union, the International Federation of Association Football or the World Council of Churches can be analyzed as cartels. Typical for such associations, the economic as well as the non-economic ones, is their permanent management of conflicts and interests. The usual narrowing of the cartel concept to potentially annoying coalitions in the economy is, according to Leonhardt, normative and inflexible, with the consequence of blocking advances in theory and research.

In 1983, Leonhardt published his doctoral thesis on «political conflicts in the European Community 1950–1983»¹ and after that several articles in journals. From 2007 on, Leonhardt continued active research work and published again several articles and in 2013 a comprehensive work on «Cartel theory and International Relations. Theory-historical studies»², in which he explained his approach and knowledge goals. His recent works had been advised by Professor Michael Gehler from the Institute of History at Hildesheim University. The present study «The development of cartel⁺ theory between 1883 and the 1930s from international diversity to convergence: syndicates industriels, ententes, comptoirs, trusts, pools, combinations, associations, kartells, cartelle, Unternehmensverbände» is a supplement of Leonhardt's larger work of 2013 and closes a research gap regarding the international dimension of early cartel theory.

A special interest of Leonhardt is the protection of former cartel buildings in Continental Europe as historical heritage. Up to now, such business facilities have often been torn down thoughtlessly. The former selling syndicates for commodities may have employed, depending on their commercial volume, hundreds of office workers for marketing operations and sales administration. So, these establishments moved into appropriate premises, which often had been large and representative and now may be historically informative. Some of these former cartel buildings are still standing, but their true origin has not been communicated to the broad public. On none of those former cartel headquarters there is a commemorative plaque telling: Here, in bygone times, there had been a sales cartel for steel, coal, potash ...

1 Original title: «Europa konstitutionell. Politische Machtkämpfe in der EG 1950–1983».

2 Original title: «Kartelltheorie und Internationale Beziehungen. Theoriegeschichtliche Studien.»



Picture 1: Ruhr Coal House (Ruhrkohlehaus), Essen/ Germany, 1952



Picture 2: Steelyard & Rolled Steel House (Stahlhof & Walzstahlhaus = former steel syndicates), Düsseldorf/ Germany

Acknowledgements

The present work was originally conceived as an article and then submitted to several academic journals in Germany. From their editors came no admission, but a lot of recommendations to sharpen the methodological profile of the study and to refer it more extensively to existing scholarly positions and disputes. In the final result, this criticism proved to be highly valuable for the subsequent makeover. So, I would like to thank very much for the received support. However, getting help for an article led to the paradox of creating a short monograph by extending the material, the questions and answers. For much advice and assistance with the translation of the German original text to English, I would like to thank my friend Reinhard T., my mother Brigitte and my son Lorenz. Regarding technical translation tools, I would like to appreciate the benefits of Google translator, linguee.de and dict.leo.org, which I sometimes could follow literally. Finally, I appreciate the kindness of the publishing house, Universitätsverlag Hildesheim (Hildesheim University Press), which took over not only the original German version, but also the English translation into its publishing program. I would like to thank Mr. Mario Müller and Kathrin Duckstein for the extensive and accurate lay-out work.

Contents

About the author	4
Acknowledgments	6
Foreword to the English edition	9
1. Introduction and research question	11
1.1 State of research	11
1.2 Research objectives	13
1.3 Research methodology	13
2. Cartel concept and cartel theory	15
2.1 The competing terms: Kartell, Verband, syndicat, entente, association, union, combination and trust	16
2.2 Generalization or dichotomy of the forms of combination?	19
3. The scholarly communication on enterprise combinations until World War I	28
3.1 The exchange between Central Europe and the Romanic region	29
3.2 The construction of 'relevance' in reference lists of the Romanic region and Central Europe	32
3.3 The exchange between the Anglosphere and Continental Europe	34
4. The formation of a new, functionalist cartel theory in Germany between 1889 and 1905	36
5. The specifics of cartel theory in relation to the theories on syndicates, combinations and trusts	40
5.1 Cartel theory versus Romanic syndicate studies	40
5.1.1 Functionalism as a criterion of modernity for theories of organization	41
5.1.2 The compliance of scientific standards on the part of the French syndicate studies	43
5.1.3 The idealization of the 'German cartel' ('cartel allemand') by adherents of the French syndicate theory	45
5.2 Cartel theory and syndicate doctrine versus Anglo-Saxon theories on combinations and trusts	51

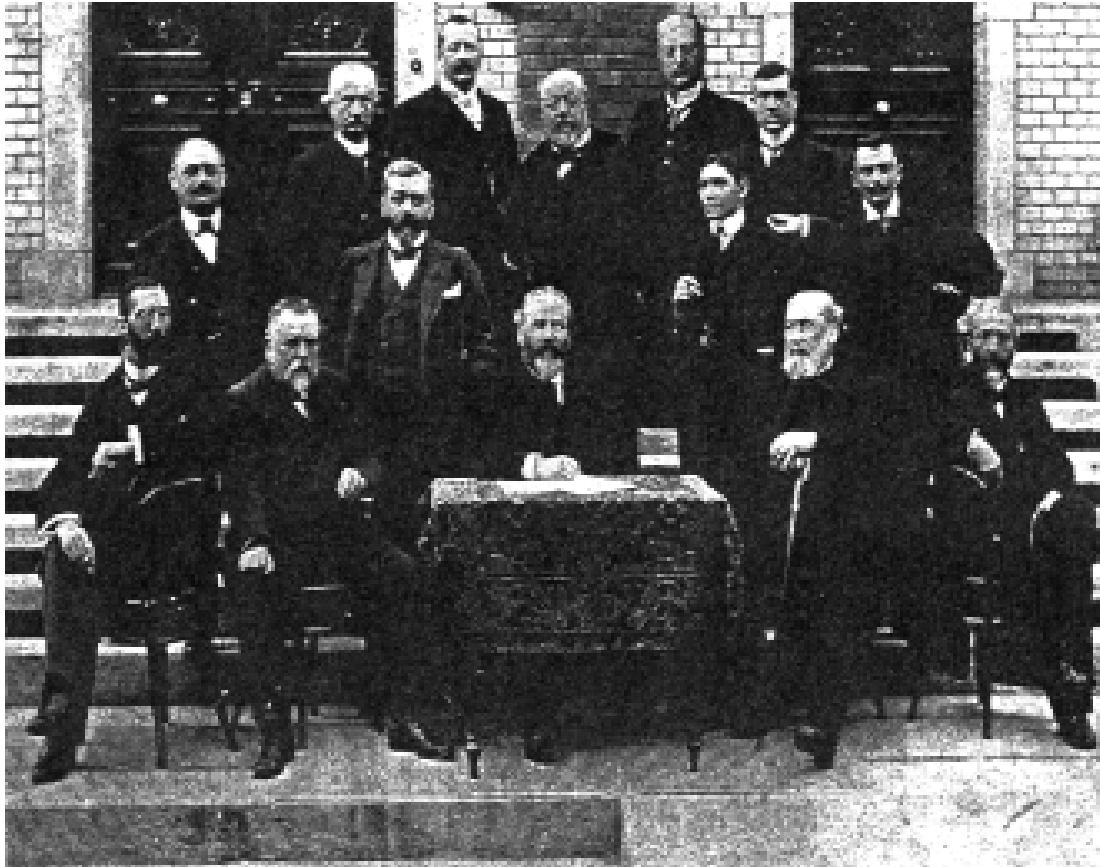
6. The studies on associations and combinations after World War I	53
6.1 The debates at the International Economic Conference of 1927	57
6.2 International terminology work within studies on cartels and corporate groups	59
6.3 The discourse on entrepreneurial combinations in later years	61
6.4 The application of cartel theory despite engrained traditions of thought	63
 7. The implementation of German cartel theory on an international level – an explanation attempt	 65
 8. Criticism of the existing findings on cartel history	 71
 9. Backwardness and modernity in economic science of the 20th century	 75
 Bibliography	 81
 Abstract	 93
 Picture list	 94

Foreword to the English edition

The present work is mostly, but not always an exact translation of the German publication «Die Entwicklung der Kartelltheorie⁺ zwischen 1883 und den 1930er Jahren – von internationaler Vielfalt zu Konvergenz». The different language and cultural perspective made it necessary to insert some additional explanations or to realign some comments. The description of the state of research has now, more than before, been adapted to an international audience, which is mainly familiar with English-language sources and the scientific debates contained therein. For this academic public, the present edition is intended to provide a window for an important period of Continental-European science history. English-speaking scholars of either first or second language should be able to understand a debate that has so far been closed off or obscured by foreign language barriers regarding German, French and Italian. Since it can be foreseen that English will replace all other languages in their use for science in the future, this work also has the goal to prevent substantial knowledge losses regarding the history of the social sciences of non-English origin.



Picture 3: The founders of the Pig Iron Association of Nassau/ Hesse (Nassauischer Roheisenverein), 1850s



Picture 4: The founders of the International Aluminium Cartel, 1901

1. Introduction and research question

The 19th century was an age of rapid industrialization. In this period, entrepreneurial associations had increasingly been concerned with the tasks of market management: Enterprisers of the same branch fixed prices, set sales areas, quantities of supply, conditions of sale, product norms etc. From the 1870s onwards, cartels and other forms of business combinations could be found in more and more industries and countries around the world. For the analysis of these new, often sensational phenomena the three dominant regions of Western civilization were predestined, which were economically most advanced at that time:

- the English-language area (British Empire and USA),
- the «Romanic» countries of France, Belgium and Italy plus
- German-dominated Central Europe (German Empire, Austria-Hungary).

For this early, often unruly epoch of economic concentration, different terms for entrepreneurial unions can be found from language area to language area. In Romanic countries, these were the «syndicat/sindacato» or the «accaparement»³, in the Anglosphere the «combination» or the «trust», while in German-speaking Central Europe the «Kartell» came to be used more frequently than «Unternehmerverband» («enterpriser association») and other circumscriptions. So, how did the scholars and experts of different cultural areas deal with this lavish supply of terminology? How did they analyze, subsume and deduct phenomena of business concentration? Did the scholars and experts of the Anglosphere, of the Romanic countries and of the German-coined region do research at cross-purposes, because of their ethnocentrism, or did they work in fruitful communication with each other? What about the dissimilarity of the respective cultures, of their academic traditions and of their socio-economic stages of development? Which role did these factors play for the potential to communicate internationally? To what extent had the terms at hand been perceivable in all of their meanings? If there had been any cognitively isolating factors: at what time and in what way were they cleared up? These questions raise the subject of an *internationally comparative history of ideas and theories*, which refers to the early notions of the capitalist forms of monopolization.

1.1 State of research

For the object level of the theme – the material history of cartels and trusts in the late 19th/early 20th century – a great many contributions exist.⁴ But the upper meta-level of science history is still largely unexplored. In terms of a historiography of ideas, concepts, doctrines and theories regarding the organizational forms in question, an internationally asymmetric situation appears: While this meta-theme is still recognizable for the German language area with some isolated works,⁵ it seems to be missing for the rest of the world, except there could

- 3 The term «accaparement» (= «rigged shortage of commodities» or «hoarding of goods on purpose of usury») was applied by some French authors in an extended sense, so that «techniques of price manipulation» or «price cartels» were included in it. In German as in English, the English «corner» or «to corner a market» was applied in the sense of doing speculation.
- 4 Fear 2007; Schröter 1994; Spindler 1993; Wengenroth 1985; Chandler and Tedlow 1985, p. 342–371; Barnikel 1972; Herlitzka 1963; Strieder 1925.
- 5 Leonhardt 2013a, p. 90–205; Schütze 1998; Merten 1933.

be some seemingly not too relevant texts, which might have been published in magazines or anthologies.

International comparisons of knowledge constructs, such as terminological concordances or descriptions of alternative doctrines within early cartel⁺ theory, can likewise be found only in the German literature, albeit very sporadically and embedded in publications on other, but related topics. Worth mentioning is the reference book by Paul Fischer and Horst Wagenführ of 1929, which provided an overview of the contemporary non-German «Kartelle in Europa». An explanation of several technical terms, especially of French and English language, is included in the text.⁷ Fischer and Wagenführ tried to render the meanings of addressed foreign terms, but without performing any in-depth thesaurus work. Particularly, they did systematically analyze neither the relevant hypotheses of understanding that lay behind the foreign terminological constructions nor the consequent possibilities of misunderstanding. Resignedly, Fischer and Wagenführ stated that, because «of the variable basic term «Kartell» [...]», statistical inquiries about those unions would be internationally comparable «only with caution». «[Because ...] each country has its organizational peculiarities. [...] The term «Kartell» means something different in every country.»⁸ Thus, Fischer and Wagenführ had recognized terminological and definitional problems. Despite this, however, they did not declare the closing of the respective methodical gap to be urgent or necessary.

Obviously, the early cartel and merger theorists saw the pitfalls of international respectively intercultural communication within their discipline as a lower-ranking research subject; hence those difficulties had been normally ignored. After World-War II, students of cartel history did no longer know about those problems of limited understanding due to ambiguous terminology – in any case not by own experience. Since that problem was no longer acute, it attracted even lesser attention than before. In both constellations, the blind spot in the state of research was concealed with seemingly plausible assumptions. In principle, it had been assumed that the emergence of novel forms of business unions would also have led to adequate terminological constructions and explanatory systems:

- The older notion (pre-1945, for each country or cultural area) said that the industrialized European nations had their own theories about the forms of economic unions, whose doctrines were quite similar, but not completely congruent. The exponents of the involved scientific cultures considered their own approaches, initially in the same manner, as superior. If those versions of a cartel⁺ theory deviated considerably from each other, this led to surprise or irritation and those discrepancies had been understood as «mistakes» or research deficits.
- The later position (post-1945, internationally spread) implied even more that cartel-theoretical approaches had existed throughout the industrialized world, but the differences between them had only affected the terminological sphere and had been virtually unimportant.⁹

Both directions of thought were evidently based on contemporary prejudices: These rested on the respectively valid forms of political correctness: on the premise of national primacy in the

6 Terms with a superscripted «⁺» will be applied in a broader sense compared to present-day semantics.

7 Fischer and Wagenführ 1929, p. 103–107, 129–135. The authors reported a state that was in the year of publication (1929) already more or less obsolete – see sub-chapter 6.3 above.

8 Fischer and Wagenführ 1929, p. 242. Original quotation: «des schwankenden Grundbegriffes «Kartell» [...]», «nur mit Vorsicht», «[Denn ...] jedes Land weist seine organisationstechnischen Eigentümlichkeiten auf. [...] Der Ausdruck «Kartell» bedeutet in jedem Land etwas anderes.»

9 See chapter 8 above.

first case and on an internationalist-egalitarian point of view in the second case. The sensibility for different cultures of thought, terminology and science was limited, a certain egocentricity and ignorance prevailed. Typical for this was the normative assumption that one could not think much differently abroad than in one's own country.

1.2 Research objectives

The first, basic aim of the study presented here is to explore, describe and compare the theories on economic concentration and associations within the framework of a literature study.¹⁰ Criteria for the comparison will be the construction of the basic concepts, the methodology and the scientific goals of the detected theories. The most important knowledge gaps about the non-German, that is to say: the Romanic and Anglophone theories on business concentration and combination, are to be closed. In comparison with the better known, early German cartel⁺ literature, the essentials of an international *history of economic concentration theories* can be worked out. What was the development of these theories in terms of content? Which persons were significantly involved? And to what results led this process? - Thus, a process description is required that is based on parameters of scientific history, like concept creation, theory formation, practice orientation, publications, disputes, reputation etc. Inevitably, further theoretical and structuring questions will arise from this rewriting of the history of economic thoughts and theories.

1.3 Research methodology

A methodic core problem of the study at hand might lie in the limited understandability of contemporary terms, which either are hardly in use yet or had been ambiguous already in the past. Science or language development in general goes along with the emergence, differentiation, specification and also dying-out of terms. These processes regularly lead to a temporary coexistence of conceptual and semantic variations, so that, although the same words and formulations were used, even contemporaries might have misunderstood each other. Therefore, a task of this study was to determine for each of the covered terms the respectively applied meaning per examined text by comparative analyses.¹¹ In any case, an overwriting of previous concepts with the current meanings of the respective wordings must be avoided – a frequent mistake of historical research.

As far as the contemporary and the modern language differ from each other, the question arises, how one's own scholarly discourse should be formulated. In a strict way, each term that is applied in this study with contents that differ from present-day language should be explained through adding the exact former meaning. Since this would stress the readability excessively, a pragmatically abbreviated method is used in the following: Terms, whose meanings had

¹⁰ Academically, the subject of entrepreneurial unions belongs primarily to the field of economics, secondly to jurisprudence. The separation of the two disciplines was at that time not yet as distinct as today, which applies for all three language areas. In France around 1900 for instance, economists usually graduated as 'Docteurs en droit'. In Germany, the ties between economists and lawyers were tight too. See: Schütze 1998.

¹¹ This procedure of assessment is documented in the research materials for this study. These are held by the author; but the results are easily verifiable.

previously been wider than today and which therefore could be misunderstood, will be marked by a superscripted «⁺». First of all, this relates to the term «cartel theory»: «Cartel⁺ theory» in this study means «cartel theory in a broader sense, including also other forms of entrepreneurial unions». Wherever it appears necessary or helpful for the understanding, another important difference relating to authors or their works will be pointed out: The superscripted indicators «D» and «G» (used from sub-chapter 2.2. on) stand for two rivalling contemporary practices of understanding.

For the historiography of the early theories on economic cartels⁺, the identification of the scientific relevance or reputation of the examined authors or knowledge constructs is essential. Those attributions are to be perceived as socially constructed; consequently, they result from the social dynamics of academic activities and social environments. Statistical, i.e. bibliometric methods were applied to prove such a defined scientific relevance or reputation.¹² As data material, contemporary bibliographies plus retro-digitized books were used.

The scholarly discourse of this study will be performed mainly at the level of science history including the related constructs of terminology and reality. In doing so, generally, a «reality» is assumed that exists outside of the cognitive sphere and is material to the emergence and change of cognitive constructs. The effects of «reality», in the form of experiences of success or failure, fears, self-confidence etc., will be pointed out in the text, if relevant information is available and the correlations for the topics presented could be substantial. However, a continuous, complete causal explanation of the history of cartel⁺ theories cannot be carried out as this would require much more efforts.

¹² See chapter 3 and 6 above.

2. Cartel concept and cartel theory

The concept «Kartell» was introduced into the economic discourse in 1883 by the German-Austrian Friedrich Kleinwächter:

«Cartels are agreements of the producers, [...] enterprisers of one and the same industry, with the purpose to abolish the unlimited competition among them and to regulate the production [...] in such a way that the latter [...] is going to be adapted to the demand, particularly the cartels intend to prevent any surplus production.»¹³

Up to this time, «Kartell» or respectively «cartel» denominated in whole Western Europe several fairness regulations or conventions:¹⁴

- rules of procedure for the duels between men of higher degrees,
- systems of rules for the courtly contests of the epoch of absolutism plus
- various administrative cooperations between states, to extradite among each other any deserters, war prisoners, escaped bondmen and criminals, to control customs borders more effectively or to combat money counterfeiting easier.

A striking innovation had been introduced between 1874 and 1879, when the term «Cartell» found application among the railway companies of German tongue for agreements about various business parameters («Beförderungscartelle», «Tarifcartelle») [«transportation cartels», «tariff cartels»].¹⁵ Since 1846, those entrepreneurs were combined in the «Association of German Railway Agencies» [«Verein Deutscher Eisenbahnverwaltungen»], a functional organization, which rapidly spread into the neighboring foreign countries and, in 1871, comprised 82 member enterprises from five independent states.¹⁶ The association conducted, besides successful efforts to standardize tariffs, a busy unification work regarding technical and organizational regulations and decided a pooling of the wagon stocks. Against an unexpectedly negative interpretation of the new term «Cartell» argued the Viennese political scientist (Staatswissenschaftler) Lorenz von Stein 1874 in the Austro-Hungarian «Central Gazette for Railways ...» [«Centralblatt für Eisenbahnen ...»]: «There is no opinion with more bias existing than the one that such tariff cartels would be «monopoly cartels» or cartels for the «exploitation» of the shippers.»¹⁷

Friedrich Kleinwächter, the founder of cartel theory, had taken over an already familiar neologism from the transport sector in 1883. Its «producers» were at that time equated with industrial entrepreneurs, as is clear from the defense discourse of Lorenz von Stein:

«They [the tariff cartels] are [...exploitive monopolies] just as little as any agreement of producers who want to safeguard themselves against the downward distortion of the relevant

13 Kleinwächter 1883, p. 126 f. Original German quotation: «Kartelle sind Uebereinkommen der Produzenten, [...] der Unternehmer der nämlichen Branche, deren Zweck dahin geht, die schrankenlose Konkurrenz der Unternehmer untereinander einigermaßen zu beseitigen und die Produktion [...] derart zu regeln, dass diese [...] dem Bedarfe angepasst werde, speziell beabsichtigen die Kartelle eine etwaige Überproduktion zu verhindern.»

14 Leonhardt 2013a, p. 51–53.

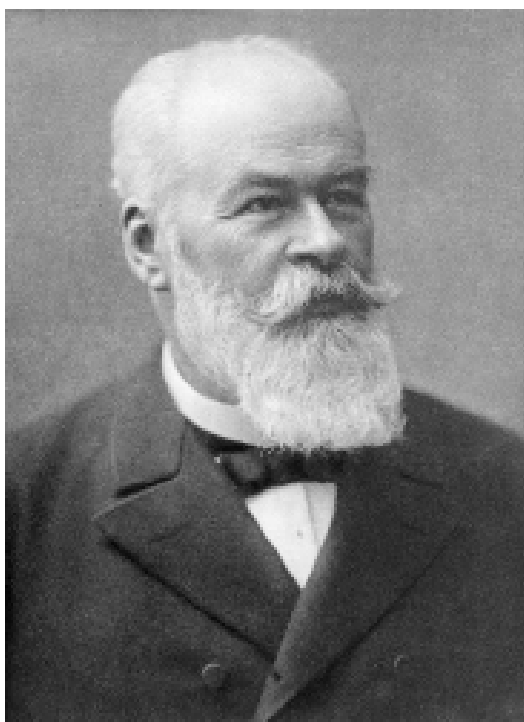
15 Enke 1972, p. 20 f.

16 Kaiser and Schot 2014, p. 121 f. These countries were the German Reich and Austria-Hungary being the core region, plus the Netherlands, Belgium and Russia in the periphery.

17 Cited in: Enke 1972, p. 21. Original quotation: «Es giebt keine einseitigere Ansicht als die, dass solche Tarifcartelle «Monopolcartelle» oder Cartelle zur «Ausbeutung» der Verfrachter seien.»

natural prices by fixing their market prices together. In contrast, other producers, like the sugar, iron, glass and leather industries can raise [the prices] at will and «exploit» [...].»

The new concept, transferred by Kleinwächter to the whole «production», corresponded to the need to be able to meet a spectacular factor of contemporary economic life with semantic accuracy. The term «Kartell» or respectively «Cartell» was concise and in an economic context unambiguous. «Kartell» combined two elements of meaning: the «cooperation between entrepreneurs» with the possibility of «monopolistic control» of the market concerned.



Picture 5:
Gustav Schmoller (1838–1917),
German economist and social scientist

Despite its advantages, the new special term was initially not really accepted in the economic discourse and was applied only by some authors of the German-speaking region.¹⁸ At least, Gustav Schmoller, the foremost scholar of the younger Historical School of Economics, adopted «Kartell» as soon as 1883. This neologism competed in practical use with other, older formulations, which had previously described the facts with less accuracy. The established terms had, partially, equivalents in the neighboring languages. In contrast, the German cartel concept was untranslatable: It had either to be imported into foreign languages or to be circumscribed appropriately.

2.1 The competing terms: Kartell, Verband, syndicat, entente, association, union, combination and trust

Even before 1883, the semantic fields regarding the subject of entrepreneurial unions had not been congruent among the West European languages. Nevertheless, usually easy to translate were:

¹⁸ Leonhardt 2013a, p. 111–112; Herrmann 1985, p. 43 f.

- association/union = association/syndicat = Verband
- agreement = accord/entente = Übereinkunft
- fusion/combination = fusion/union = Fusion/Zusammenschluss.

Among the terms above, «combination» and «union» were so general and had so various meanings in detail that they would remain imprecise without any further attribution. Discrepancies of various types could occur at lower levels of the association forms:

- *Convention* was in French a by contract differentiated (tight) cartel,¹⁹ while in German this term was familiar only in the wording «lose Preiskonvention» [«non-binding price agreement»]. In English, *convention* was unusual in the relevant context.
- *Ententes* were a form of entrepreneurial cooperation, which was only known (under this designation) in the French-Belgian region. It was (in the language use until World War I) a matter of social relations that were informally cultivated within professional (entrepreneurial) associations (in French: *associations professionnelles*).²⁰ In other economic cultures, no special term stood for that specific subject-matter.

The newly appeared term «Kartell» or respectively «cartel» was more distinctive than the former, traditional concepts. To express in English, French or Italian that entrepreneurial unions were regulating markets and delimiting their mutual competition, the speakers applied – instead of «cartel» – some paraphrases. A pragmatic solution was to supplement the foreign-language equivalent of «enterpriser association» with an attribute. So, it became customary in Romanic languages to translate Kartell with «syndicat industriel» or «sindacato industriale». The Anglophone counterpart, being the «trade association/trade union of the employers», was less common. All those trials for linguistic specification remained semantically imperfect: «Syndicats industriels» for instance did not match the cartels in trade and agriculture, and «trade unions of the employers» might have been pure employer associations.

In addition, the attempt to translate «Kartell» into neighboring languages without any losses of meaning suffered from the connection of this term with «monopolism». Within the German word «Kartell», the tendency or possibility of monopoly was clearly presumed. The dispute, how intense the monopolistic character of cartels was, or how strong it had to be to speak of cartels, was an issue of the German cartel theory until the 1930s.²¹ However, the terms «syndicat (industriel)» or «trade union (of the employers)» associated only slightly a tendency of market control. – The German term «cartel» had a critical potential as it suggested positions of economic power.

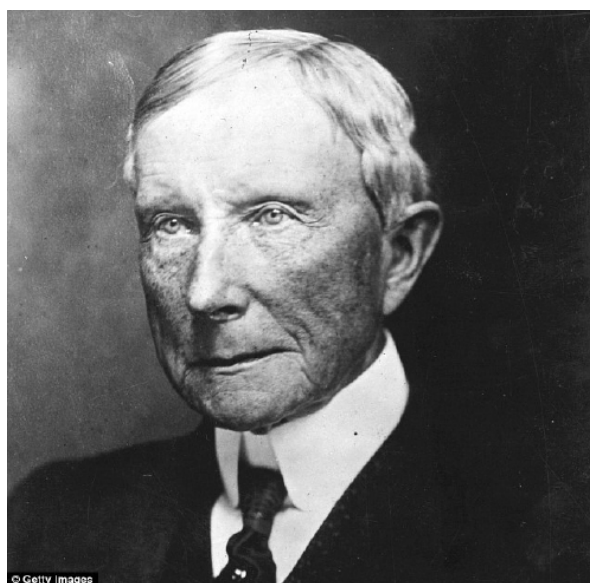
The cartelized entrepreneurs of German tongue kept back from the new term. Delicate in matters of business reputation, they saw in «Kartell» the danger of denunciation. They avoided any compromising by continuing to label the relevant combinations in a neutral way as Verband, Verein (= association, union) or similar.²² Thereby, the German speaking enterprisers did not behave differently from their colleagues abroad, who hid their activities behind general terms such as «syndicat» and «entente» in French or «trade union» and «association» in English. Conversely, Anglo-Saxon critics talked of «monopoly» all too soon.

19 Leener 1909b, p. 202–210.

20 Chastin 1909, p. I; Leener 1909b, p. 200–202.

21 Leonhardt 2013a, p. 117–123. The most common answer on this was that a market control must have been achieved of at least ¾th of its volume. Liefmann 1905, p. 12.

22 Hexner 1946, p. 9. However, there were exceptions, for instance the «Mitteldeutsche Dachpappen-Kartell» («Central German tar paper cartel») of 1927 with head office in Leipzig.



Picture 6:
John D. Rockefeller (1839–1937),
American Industrialist and trust founder

Apart from «Kartell», another terminological innovation had entered the economic discourse in the 1880s: the «trust». In the USA of 1882, a cartel had been set up in the legal form of a trustee's administration: The group of 40 refinery entrepreneurs under the leadership of John D. Rockefeller formed now the «Standard Oil Trust». The new juridical construction, developed in 1879 by Rockefeller's advocate Samuel Dodd, made it possible to overcome the legal uncertainty of the previous «pools».²³ This scheme of remodeling cartels into unions with a tight central management set a precedent in the United States. The aggressivity of the newly emerged «trusts» alerted policy and called the American government into action. So, in 1890, the latter banned the cartel-typical «trade restrictions» by the Sherman-Antitrust-Act. But that was hardly successful at the beginning, and so, during the following decades, the «trust corporations» played cat and mouse with the US legal authorities. In 1892, a court decision led to the result that the «Standard Oil Trust» seemingly broke up into its constituents, i.e. into 20 formally independent ventures (but with an identical composition of shareholders). In 1900, these enterprises merged to form the «Standard Oil Company of New Jersey», which was finally disassembled in 1911. Other American «trusts» experienced a similar fate.

Although «trust» was originally a certain legal form, this term soon denoted in the USA also other types of entrepreneurial combination. The spectrum of meanings was so broad that «trust» now embraced organizations irrespective of their legal form and with not very clear features:

- In the 1880s, «trust» could still be recognized as a close enterprise association with differences to a fusion or merger. Lawyers disputed about the classification of the «trusts» as «partnerships» or as «corporations».²⁴
- Since the late 1880s, the «trusts» changed their legal forms towards horizontal holding companies or fusions.
- Later, «trust» simply denoted also capital groups of any, possibly also vertical construction.

²³ Leonhardt 2013a, p. 85, 256.

²⁴ Schalk, Wilhelm C. van der 1891, p. 137 f.

A specific term for 'corporate group' or 'concern'²⁵ as a combination of parent company and subsidiary companies or as a large-scale enterprise made up by fusion of several undertakings did not exist up to the beginning of the 20th century. The German public described these objects with 'Fusion', 'gemischtes Werk' (= 'combined plant'), 'Trust' or 'Kontrollgesellschaft' (= 'holding corporation'), the Anglophones with 'trust', 'amalgamation', 'combination' or 'combine'. In Germany, the term 'Konzern' emerged hesitantly not before 1900, parallel to this in the Anglosphere, the phrase '(business) corporation'²⁶ or 'corporate group'.

The cartel theory of German tongue experienced a further terminological innovation at the end of the 1890s. Traditionally, 'Syndikat' had been understood as the joint selling agency of cartels (which was usually founded as a capital company, which in German was generally referred to as a 'Syndikat'). During the 1890s, the meaning of 'Syndikat' broadened from a specific institutional body to a union that applied such a body: the term now stood for a specific cartel form ('of higher order'). The terminological transition took place through the composite noun 'Syndikatskartell', which included the same cartels with central sales agencies.²⁷ By this change in terminology, the German specialist community had created a further translation problem against the Francophone world of the 'syndicats industriels'.

2.2 Generalization or dichotomy of the forms of combination?

The topic of the cartels⁺ got its explosiveness from the dangers of market control, a larger theme that was not limited to the operational enterprise associations. Drastic price fluctuations, extortion by adhesion contracts, boycotts, material and credit freeze plus take-overs, corporate actions and bankruptcies were the stuff, from which headlines and striking book titles could be made at the end of the 19th century. From a publisher's point of view, it was obvious not to split the sensational material, the horizontally knitted corporate groups and the entrepreneurial associations (cartels), but to consider these forms of economic unions together. Beginning around 1890 and reinforced after 1900, numerous books were published with such a broad theme until World War I:

- 1891 W. van der Schalk: Over ondernemers-vereenigen (kartels en trusts). Leiden.^D
- 1892 Henry Babled: Les syndicats de producteurs et détenteurs de marchandises au double point de vue économique et pénal. Paris.^G
- 1894 James S. Jeans: Trusts, pools and corners as affecting commerce and industry. London.^G
- 1895 Ernst [Levy] von Halle: Trusts or industrial combinations and coalitions in the United States. New York (in 1894 as an article in German tongue).^D
- 1900 Francis Laur: De l'accaparement. Paris.^G

25 In the sense of the German 'Konzern' = business group with some central management.

26 An American controlling authority of 1903 was already named as «Bureau of Corporations». Storli and Nybø 2015, p. 22. The implementation of the term 'corporation' (in the meaning of 'Konzern' in German) was obviously enabled by a «liberalization of corporative law» («Liberalisierung des Gesellschaftsrechts») at the end of the 19th century in the USA, which permitted holding companies in an increasing range. Spindler 1993, p. 235–244.

27 Leonhardt 2013a, p. 110.



Picture 7:
Ernst Levy von Halle (1869–1909),
German economist

- 1901 Emilio Cossa: I sindacati industriali (trusts). Milano.^G
Paul de Rousiers: Les syndicats industriels de producteurs en France et à l'étranger. Trusts-cartells-comptoirs. Paris.^G
- 1903 Étienne Martin Saint-Léon: Cartells et trusts. Paris.^D
Arthur Raffalovich: Trusts, cartels et syndicats. Paris.^D
Siegfried Tschierschky: Kartell und Trust. Vergleichende Untersuchungen. Göttingen.^D
- 1904 André Colliez: Les Coalitions industrielles et commerciales d'aujourd'hui. Trusts, cartels, corners. Paris.^D
- 1905 Carlo Cassola: I sindacati industriali (cartelli, pools, trusts). Bari.^G
Francis W. Hirst: Monopolies, trusts and kartells. London.^G
Robert Liefmann: Kartelle und Trusts. Stuttgart.^D
- 1906 Ferdinand Baumgarten/Artur Meszlény: Kartelle und Trusts. Budapest-Berlin.^G
Richard Calwer: Kartelle und Trusts. Berlin.^G
David H. MacGregor: Industrial combination. London.^G
- 1909 J. Chastin: Les trusts et les syndicats de producteurs. Paris.^G
Georges de Leener: L'organisation syndicale des chefs d'industrie. Bruxelles.^G
Étienne Martin Saint-Léon: Cartells et trusts (3. ed.). Paris.^D
- 1910 Robert Liefmann: Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation. Stuttgart.^D
Étienne Martin Saint-Léon: Cartells y Trusts. Versión española de la tercera edición francesa. Madrid.^D
- 1911 Siegfried Tschierschky: Kartell und Trust. Stuttgart.^D
- 1912 Paul de Rousiers: Les syndicats industriels de producteurs en France et à l'étranger. Trusts-cartells-comptoirs-ententes internationales. Paris.^G
- 1913 George R. Carter: The tendency towards industrial combination. London.^G
- 1914 Robert Liefmann: Cartells et trusts. Évolution de l'organisation économique. Paris.^D



Picture 8:
Robert Liefmann (1874–1941),
German economist

There were mainly two possible options²⁸ for the arrangement of the material, the generalization or the dichotomy of the observed phenomena:²⁹

- The generalists emphasized the commonalities of the forms of business unions and maintained a fundamental equality of the nature of trusts, cartels and other combinations, and thus attempted a synthesis of these types under a generic term. Differences between the forms of union were indeed recognized, but in relation to the commonalities modified. The generalists concentrated on the external effects of the unions, while they often observed their inner relationships only to a lesser degree.
- The dichotomists were on a more institutionalist way. They analyzed the differences in structures of control that existed between cartels and trusts or respectively between enterprise associations and corporate mergers. While they in fact recognized the existing similarities between both forms of combination, they were more interested in the differences between them. In the end, the dichotomists came easier to differentiated conclusions about which characteristics were specific to the cartels or to the trusts.

Both directions of thought came from the same empiricism, from the same information. Both currents made an effort to present the variety of manifestations, to make the trends of development visible and to fit all known facts and arguments into the own doctrinal system. By and large, both sides agreed on much: Cartels and mergers were understood as a device to eliminate competition. The concentration or combination movement was seen as a process, in which the «wastes of competition» were abolished in favor of an increasing monopolism. But the positive effects of rationalization were accompanied by disadvantages through the exercise of economic and political power. Both sides admitted that considerable differences existed between cartels and trusts or respectively between organizational forms of different ethno-cultures.

28 For the philosophical epistemology, this constellation of arrangement alternatives is well-known: It distinguishes between «collective hierarchies» and «dichotomous hierarchies». Dichotomous distinctions are seen as «cognitively» more advanced. Riedl 2000, p. 90.

29 The registered monographs are marked with G and D according to their tendency.



Picture 9:
Rudolf Hilferding (1877–1941),
Marxist theorist



Picture 10:
Wladimir Iljitsch Lenin (1870–1924),
Russian revolutionist

The dissent between the generalists and dichotomists was not so much a dispute about facts, but rather a disaccord about the priority of basic knowledge goals that resulted from economic, political or scientific points of view. The decision of the single researchers, whether the *commonalities* between cartels and corporations (trusts) were more important or, on the contrary, the *differences* between them, had consequences for terminological expedencies.³⁰ The preference of the authors had a strong tendency to affect their choice of formulation because they usually tried to reserve the handiest terms for the favored object perspectives.³¹ On the part of the generalists, the constellation was as follows:

- Writers of the Romanic region used «syndicat»/«sindacato» as a generic term for all types of alliances from «ententes» via «kartells» to «trusts»: «i sindacati industriali (Syndicaten, Kartelle, Unternehmerverbände, combinations, trusts)» or: «les syndicats [...] toutes ces sortes de coalitions».³² «Kartell» and «trust» were sub-groups of «syndicat», if this term, as usual, was applied in a broader sense.
- Anglo-Saxon authors tried to generalize concentration phenomena by «trust» and/or «combination», whereby often a reference was made to «monopoly»: «trusts [...] combinations of every kind [...] controlling production and prices»³³, «monopolies [...]»

30 Robert Liefmann realized this and identified the «most appropriate naming» («zweckmäßigste Namergebung») as the essence of the dispute about the «right» cartel definition. Liefmann 1903a, p. 108.

31 There were also authors (Raffalovich^P, Macrosty^G) that presented both material aspects, highly differentiated each, as extremely important. But, by their choice of term, they took a decision.

32 Cossa 1901, p. 11; Chastin 1909, p. II.

33 Jeans 1894, p. V.

trusts, kartells, and other modern combinations»³⁴, «combination [...] trusts and cartels».³⁵ Both terms – ‘combination’ and ‘trust’ – existed in a broader and in a narrower sense, with or without the pre-stages of the horizontal corporate groups, which were associations only, for instance the American ‘pools’. And when the scholars of English tongue wrote about enterprise unions in Continental Europe, they used the valid domestic terms – especially ‘kartell’, rarely ‘syndicate’.³⁶

- For the generalists of German tongue, the ‘trusts’ were a ‘higher stage of progressive cartelization’³⁷ and ‘the concept of cartel to be defined so broadly that it includes also the trust’.³⁸ ‘Kartell’ served those authors as a generic term for all forms of entrepreneurial unions. The subsumption efforts extended up to the attempt to designate the ‘trusts’ as ‘corporation cartels’, in contrast to the normal ‘alliance cartels’ being associations.³⁹
- Among socialists, internationally, across all language borders, ‘cartels’ and ‘trusts’ were more or less equated as ‘monopolies’.⁴⁰ But this quest to generalize was of different degrees: While, in 1910, Rudolf Hilferding, editor at the newspaper ‘Vorwärts’ and party theorist of the SPD besides Karl Kautsky, carved out the differences between both organizational forms in a quite appropriate manner.⁴¹ In contrast, other authors like the already mentioned Richard Calwer (in 1906) and the Russian revolutionist Wladimir Iljitsch Lenin (in 1916) leveled the existing dissimilarities largely.⁴² In the normal, vulgarized discourse of the party journals, ‘trustification’ (‘Vertrustung’) meant the same as ‘cartelization’;⁴³ the French ‘syndicates’ were, if discussed, gladly included herein.

Among the authors about business associations and concentration as a whole, the dichotomists were only a minority. There were few in the French-speaking world, and in the Anglosphere, they were not to be found except in translations, and then of non-autochthonous origin. Thus, the dichotomist direction was rather German, and it correlated with an ambition for careful systematization.⁴⁴ The method of the dichotomous representation was

- to reserve the least ambiguous terms,⁴⁵ namely ‘trust’ and ‘Kartell’, for capitalist mergers and business associations,
- to analyze both organizational forms separately and

34 Hirst 1905, p. V–VI.

35 MacGregor 1906, p. 4.

36 To be found in: MacGregor 1906, p. 181, 182, 184.

37 Stieda 1895, p. 5. Original quotation: «höhere Stufe weiterschreitender Kartellierung».

38 Baumgarten and Meszlény 1906, p. 3; Schmoller 1900, p. 450 f. Original quotation: «der Begriff des Kartells so weit zu fassen, dass auch der Trust darunterfällt».

39 Wagner 1897, p. 899.

40 Marxist publications that dealt only with entrepreneurial unions were rare. However, in the more general publications on capitalism or on revolutionary socialist policy, cartels and trusts were regularly touched upon.

41 Hilferding 1973, p. 275–281.

42 Leonhardt 2013a, p. 119; Lenin 1972.

43 For instance: Kautsky 1914a; Kautsky 1914b; Sorel 1898.

44 See chapter 5. below.

45 Compared to those, ‘syndicat’ and ‘combination’ had each a greater variety of meanings.

- describe the overall tendency in a relatively unimpressive way as «monopolistische Vereinigungen» [«monopolistic unions»], «Interessengemeinschaften» [«communities of interest»], «coalitions industrielles et commerciales» [«industrial and commercial coalitions»] or similar.⁴⁶



Picture 11:
Étienne Martin St. Leon (1860–1934),
French jurist and economic historian



Picture 12:
Arthur Raffalovich (1853–1921),
French economist and Russian diplomat

The French dichotomists Étienne Martin St. Leon, Arthur Raffalovich and André Colliez had, in contrast to the majority of their colleagues, largely adopted the narrower German cartel concept. For the former, the French syndicates were cartels, which they alternately named «cartels» or «syndicats industriels». But with the functionalist method of the advanced German cartel theory, the early French dichotomists did not become quite familiar. Their works, emphasizing national-cultural differences, were much more in line with the prevailing syndicate studies by Paul de Rousiers, whom they also often cited. As far as recognizable, the terminological differences between the French dichotomists and generalists were never discussed. Obviously, there was no problem-awareness for the methodological effects of conceptual constructions. A shortcoming of the generalists was that their basic terms «syndicat», «trust» or «Kartell» remained misunderstandable, because they could mean in narrower sense only a sub-group, but in a broad sense much more. The alternatives to «trust» – «combination» and «monopoly» – used by Anglophone authors had other defects: «monopoly» implied something that was still to be proved, and «combination» could transcend the limits of the one and same industry. Thus, within the specialist communication about business unions, terms and concepts from three language areas competed, whose meanings could in addition even vary. Between about 1890 and 1910 (thereafter quickly decreasing), an almost Babylonian language confusion existed within the debate on entrepreneurial unions. Despite those obstacles, the scholars of different cultural areas remained open-minded for the academic discourse among each other: German authors reviewed French works on syndicates⁺ as well as Anglophone concentration and trust⁺ studies under the heading of «Kartellliteratur⁺»; French academics identified the

46 Liefmann 1903b, p. 677; Vogelstein 1906, p. 548; Colliez 1904, p. 3 or title.

subject of relevant foreign books as «syndicats⁺», and Anglo-Saxons classified the respective works as «combination» or «monopoly» studies.⁴⁷ The method of this open-mindedness was, by today's standards, scientifically problematic: The scholars took over contents that were semantically not fully congruent, accepted a communication according to the principle «quick and dirty», wherein the risk of deep misunderstandings could absolutely outweigh the advantage of rapidity.



Picture 13:
Hans Graf von Kanitz (1841–1913),
German-conservative
(«deutschkonservatives») member of the
Reichstag



Picture 14:
Theobald von Bethmann Hollweg (1856–1921),
State Secretary in the German Imperial Ministry of
the Interior («Reichsinnenministerium»),
Imperial German Chancellor from 1909 to 1917

Even more than the scientific communication was the everyday discourse coined by blurring, misunderstandings and unreflected equalizations. In the cartel debate of the German Reichstag in March 1908, for instance, the conservative member of parliament, Hans Graf von Kanitz, mixed in a wild verbal emission:

«America [...] its domestic cartel economy [...] trust economy [...] syndicates [...] trust tycoons [... Rhenish] coal syndicate [...] cartels [in Germany]».⁴⁸

And State Secretary of the Interior Theobald von Bethmann Hollweg was no better when he said about the «American trust system» that «the foundations [...] for cartels in America [are] quite

⁴⁷ For instance: Liefmann 1903b; Halle 1896; Bullock 1902.

⁴⁸ Cited in: Ortloff 1909, p. 46 f. Original German quotation: «Amerika [...] die dortige Kartellwirtschaft [...] Trustwirtschaft [...] Syndikate [...] Trustmagnaten [... rheinisches] Kohlensyndikat [...] Kartelle [in Germany].»

different than with us.»⁴⁹ «In the everyday life»⁵⁰ semantic ambivalences could apparently be coped without many difficulties by pragmatic rewording, implicit equating and easygoing subsumption. But this coarsening of semantic correlations was apt to irritate experts considerably, who aimed at accuracy. Thus, the Imperial German dichotomist Siegfried Tschierschky complained in 1911, already retrospectively, that «the ambiguity of content and scope of the cartel concept were responsible for the fact that [...] the most diverse views flooded through each other [...]»⁵¹

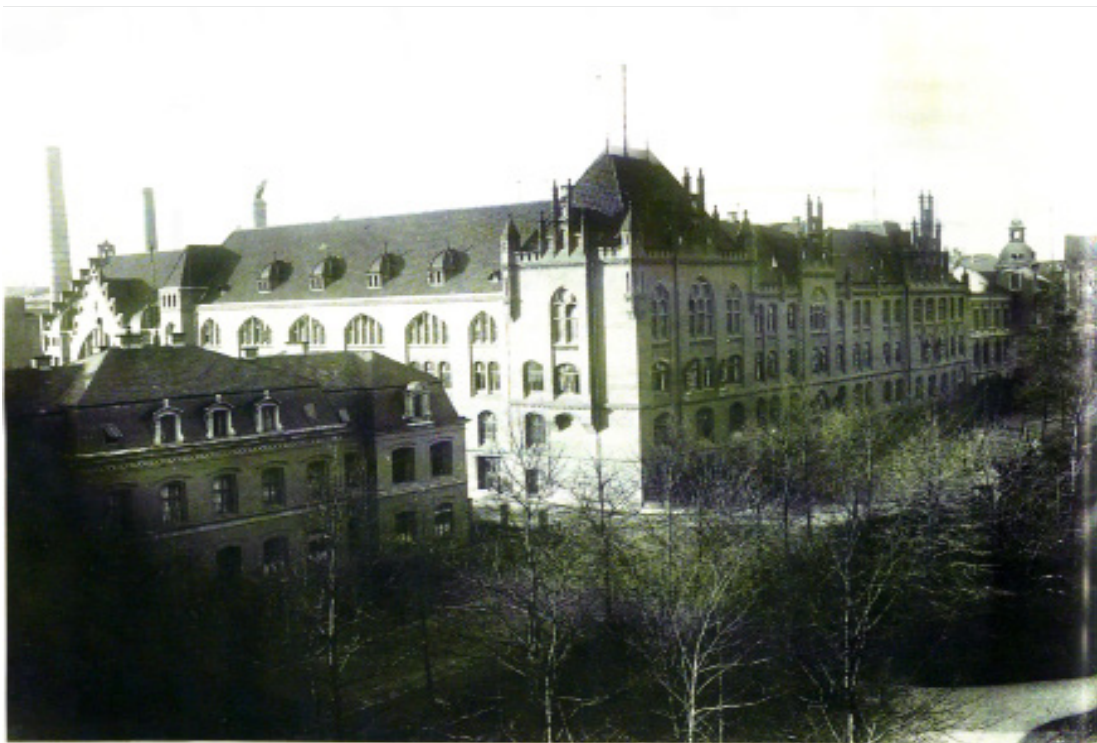
49 Cited in: Ortloff 1909, p. 47 f. With the «cartels in America» Bethmann obviously meant the trusts in the sense of large, horizontally integrated corporations. Real cartels were not typical for the USA around 1900. Original German quotation: «[...] amerikanischen Trustsystem [...] die Grundlagen [...] für die Kartelle in Amerika durchaus andere [sind] als bei uns.»

50 Ortloff 1909, p. 12. The parliamentary debating routine can be seen as a part of the «everyday life» of Ortloff.

51 Tschierschky 1911, p. 14 f. Original quotation: «die Unklarheit über Inhalt und Umfang des Kartellbegriffs [habe ...] verschuldet, daß [...] die verschiedenartigsten Auffassungen durcheinander fluteten [...]»



Picture 15: Steelwork Association (Stahlhof) at Düsseldorf/Germany, building of 1908



Picture 16: Rhenish-Westphalian Coal Syndicate at Essen/Germany, around 1910

3. The scholarly communication on enterprise combinations until World War I

In the three Western cultural regions, the research on entrepreneurial unions was based on different academic traditions:

- In the Anglosphere, classical liberal economic theory prevailed with its abstract method. Only in deviation from the latter, also institutionalist economic doctrines developed in this region: in Great Britain, a theory of business combinations and in the USA a trust⁺ theory.⁵²
- German-speaking Central Europe was the domain of the younger Historical School⁵³ of Economics. It was substantially interdisciplinary, had features of sociology and cultural history and preferred a qualitative analysis of facts. It was explicitly a counter-pole to classical liberal economic theory with its tendency to formalize and mathematize. The early theory of the new topic <cartel>⁺ originated from the Historical School, whose institutionalism and interdisciplinarity it shared.⁵⁴
- The economic science of the Romanic sphere was to a similar degree broadly social-scientifically and institutionalistically structured like the one of Central Europe. In France, the approach of the Musée social,⁵⁵ established in 1894, corresponded largely to that of the <Kathedersozialisten>⁵⁶ within the younger Historical School in Germany.

In seemingly all countries, the focus of the studies on business associations and concentration lay initially on their own national economy. But soon, an asymmetric research situation developed according to the criteria of timeliness and relevance: For the discussion about the forms of business combinations, the United States and Germany proved to be most important, because they provided – more than any other industrialized state – a series of sensational innovations in the field of business organization:

- The USA was the <land of trusts> and showed the most dynamic economic development. The <Standard Oil Trust> of 1882 and the <United Steel Company> of 1901 were symbols of an overwhelming economic power.
- Germany was the <land of cartels> and in Europe economically leading. With the Rhine-Ruhr-region as its economic core, the German speaking area was the most heavily cartelized sphere of the world.⁵⁷ The coal and steel syndicates of the Ruhr – the <Rheinisch-Westfälische Kohlen-Syndikat> (<Rhenish-Westphalian coal syndicate>) of 1893 and the <Stahlwerksverband> (<Steelwork Association>) of 1904 – were internationally recognized archetype cartels.⁵⁸

52 In the USA, institutionalist social analyses emerged at the same time, i.e. since the 1880s, by Thorstein Veblen for instance. Edgell 2001; Hodgson 2001, p. 137–177.

53 On the definition of the <younger Historical School>: Köster 2011, p. 31–60.

54 The often-stated opinion, the Historical School was generally anti-theoretical, is false, as can be seen from the example of cartel theory.

55 See for instance: Horne 2002.

56 The <Kathedersozialisten> (<lectern socialists>) were academics being particularly committed to sociopolitics and the most obvious sub-group of the Historical School.

57 Leonhardt 2013a, p. 84.

58 Leonhardt 2013b, p. 42.

In addition to external factors, the research agendas of the Western, industrialized world were also determined by the capacity of the national academic systems and the motivation of the herein working staff:⁵⁹

- The experts and scholars of the Anglosphere were magnetized by the issue of the ‘trusts’. While in the United States the ‘pools’ (i.e. cartels) were also explored, the British economic science was backward at this matter: The rich British past of cartel activities before the 1840s had been completely forgotten. And for the time being, British economists had no sense to perceive the cartel nature of their entrepreneurial ‘associations’, which were wide-spread in England.⁶⁰
- The Continental European economists were earlier than others interested in international research and/or in studies abroad. Scholars from Central Europe and the Romanic region examined the American trusts already in the 1890s.⁶¹ A German – Hermann Levy – found out in the 1900s that numerous cartels had existed in England,⁶² differently than presumed by local experts. Britons and Americans, on the other hand, were interested in the Continental European cartels only after 1900.⁶³

3.1 The exchange between Central Europe and the Romanic region

The scientific exchange about the forms of entrepreneurial unions was most intense between Germany/Central Europe and France/the Romanic area. The following scholars published in the respectively other language area:

- 1894 Karl Bücher [=Imperial German]: Les syndicats industriels, in: *Revue d'économie politique* 8, p. 905–926.^G
 Adolf Menzel [=Austrian]: Les cartels au point de vue la législation, in: *Revue d'économie politique* 8, p. 829–853.^D
- 1895 Claudio Jannet [=Frenchman]: Des syndicats entre industriels pour régler la production en France, in: *Über wirtschaftliche Kartelle*, Leipzig, p. 3–32.^G
- 1899 Robert Liefmann [=Imperial German]: Les caractères et modalités des cartels, in: *Revue d'économie politique* 13, p. 653–677.^D
- 1905 Gustav Schmoller [=Imperial German]: *Principes d'économie politique*. Vol. 1. Paris.^G
 Georges de Leener [=Belgian]: Les syndicats industriels en Belgique. Bruxelles 1903 (2. ed. 1904) [indirectly via the book report of K. Bräuer: *Die Unternehmerverbände in Belgien*, in: *Jahrbuch für Gesetzgebung* 29, p. 311–338].^G
- 1914 Robert Liefmann [=Imperial German]: *Cartells et trusts*. Paris.^D

The series of publications from France/Belgium on the one hand and Germany/Austria on the other began in 1894, when Karl Bücher and Adolf Menzel published in the ‘*Revue d'économie politique*’ their lecture texts that had been presented at the meeting of the ‘*Verein für Socialpolitik*’ [‘*Association for Social Policy*’]. Vice versa, Claudio Jannet published in the following year in an

59 However, it appears difficult to do a precise factor attribution, and so this should be reserved for some later and more transcending research. See also chapter 7 below.

60 Levy 1907, p. 182, 227. In Great Britain (in 1903) almost only trusts were known. Raffalovich 1903, p. 345–376.

61 Halle 1894; Rousiers 1898.

62 Levy 1909.

63 Walker 1904; MacGregor 1906.

anthology of the latter association. All these contributions were written in French, a circumstance that obviously was caused from the rather poor German language abilities of the Frenchmen, in contrast to the workable French language proficiencies of the Germans. Thereby, the German party undertook considerably greater efforts to communicate and get understood than the French.



Picture 17:
Karl Bücher (1847–1930),
German economist

Little later, the attitude of the German side shifted from a respectful address to giving teachings:

- Robert Liefmann did (in 1899) not just write in a general way about cartels, but explained his author-specific system of the cartel types to the Francophone audience.
- Gustav Schmoller published in 1905 his ‘General Economics’ (‘Allgemeine Volkswirtschaftslehre’) as ‘Économie politique’ for the Francophone readers. This chief work of the German Historical School was laid out as a multi-volume reference book. It presented its knowledge in an authoritative manner; among other things, the cartel⁺ forms and the development path of the cartels⁺ up to the trusts were treated.⁶⁴

Conversely, the internationally renowned publications of Paul de Rousiers on American trusts (of 1898) or about the cartel⁺ system [‘syndicats industriels’] (of 1901) remained untranslated from French.⁶⁵ The remarkable study of Georges de Leener [= Francophone Belgian] of 1903 achieved in 1905 after all a longer (German written) book report in the ‘Jahrbuch für

⁶⁴ Schmoller 1905b, p. 577–579 (T. 1, Vol. 2).

⁶⁵ Rousiers 1898; Rousiers 1901.

Gesetzgebung» [‘Yearbook for Legislation’]. The following work of Leener of 1909,⁶⁶ consisting of two volumes and more than 1,000 pages, was by far the most voluminous study on entrepreneurial associations of its time. But it was (in German) neither reviewed in detail nor translated. – Robert Liefmann, however, published in 1914 his principal work⁶⁷ as «Cartells et trusts» in French. The bibliography, named as «list of the most important books published in Germany on cartels and trusts»,⁶⁸ indicated that the author assessed the French syndicate studies as negligible. In 1903, he still had reported on the «neuere französische Kartellliteratur⁺» [‘latest French cartel⁺ literature’].⁶⁹ Up to the 1900s, an asymmetrical constellation had eventuated in the relationship between the French and German cartel⁺ authors: The German side published in both languages, while the French relied on the spread of their language in the Central European science area. By this, the scholars and experts west of the Vosges Mountains had renounced on important options for action. Regarding the dissemination of their knowledge and the construction of their scientific reputation, they were more dependent on the benevolence of their German colleagues than vice versa. So, the French specialists on business associations and concentration had little to counteract Robert Liefmann’s publication offensive.

The higher dynamism of German versus French science marketing seems to have correlated with the factor of the ‘larger’ or respectively ‘stronger’ state or language region:

- The Romanic science landscape was characterized by a lack of coherence. Only France and Belgium formed a scientific community with an internationally respected research on syndicates. The Romanic-speaking part of Switzerland was negligible as origin of studies on business associations and concentration.⁷⁰ Spain was industrially and scientifically unimportant (and was supplied by French writers). The Italian scholars were not taken as of full value by their French colleagues and had usually been ignored (like in the rest of the world). Thus, the Romanic region had a problem of scale with its self-representation as an important scientific area.
- German speaking Central Europe was demographically, politically and economically more important than the Francophone area. Besides ethnically German scholars, Hungarians were also involved in cartel studies.⁷¹ However, the Imperial German authors (Robert Liefmann, Gustav Schmoller and others) were most visible in the field of cartel theory. Austria could not keep the leadership that it initially held through the pioneering role of Friedrich Kleinwächter. Another gap existed towards the Hungarian cartel experts, who remained relatively unknown, but were promoted by the contentions of the K&K partial state, Hungary.⁷² Scholarly activities that might have come from other Central European peoples⁷³ in the field of business associations and combinations seem to have been suppressed or discouraged by dominant language policy. Apart from this, Central Europe disseminated its scientific knowledge into the Nordic and East-European area.⁷⁴

66 Leener 1909a; Leener 1909b.

67 First edition of ‘Kartelle und Trusts’ was in 1905.

68 Liefmann 1914, p. 263. Original quotation: «Liste des principaux livres parus en Allemagne sur les cartells et les trusts».

69 Liefmann 1903b.

70 This was so until the end of World War I and despite the universities Geneva and Lausanne.

71 See the next sub-chapter 3.2.

72 Hungary was, together with Austria, an autonomous part of the Habsburg double-monarchy.

73 These included several Slavic nations or populations.

74 So the example of the Congress-Pole (from the Russian part of Poland) Szymon Rundstein, who did his doctorate in Germany on cartel law and had publications in Russia or respectively Poland.

3.2 The construction of «relevance» in reference lists of the Romanic region and Central Europe

Reference lists are, like citations and other mentions of authors, «constructions of scientific relevance». For the academic instrument of citations, there is a well-known hierarchy of degrees that range from denying to crediting any reputation: The greatest disdain among scholars is the disregard or concealment; a bit better is a negative critical mention; after this comes a neutral reference and then a praising citation, while the explicit designation of the author as a leading authority can be regarded as the peak.

As characteristic for the Romanic doctrines about business associations and concentration, a development can be seen that led from a relatively great autonomy to a high «leaning on» in regard of the application of literature. In a constructivist view, one could say: On the French side, there was a change from a high to a rather low self-evaluation of the very own scholarly work. While in the 1890s the Francophone authors were still at eye level with the Central Europeans, the German speaking party acquired by around 1900 a clear and even further increasing advance of repute. An analysis of bibliographies⁷⁵ in academic books of Romanic languages between 1892 and 1909 proves how far the authors of those countries had fallen behind the German or Central European scholars with the attribution of «reputation» (criterion here: the pure mention). The «supplementary needs» of the Francophone authors were, at first, little up to moderate, but later – like those of the Italians – high:

- Henry Babled [=Frenchman] (*Les syndicats de producteurs et détenteurs de marchandises*. Paris 1892)^G used for his study 91 titles. Among them were 68.1% of Romanic tongues (65.9% Francophone, 2.2% Italian), 13.2% German and 18.7% Anglophone (3.3% British, 15.4% American).⁷⁶
- Francis Laur [=Frenchman] (*L'accaparement*. 2 volumes. Paris 1900 & 1903)^G did not compile any bibliographies. But the word statistics of his retro-digitalized books allows comparative samples; these show a considerable change at the application of literature within only three years: While Laur, in 1900, mentioned the leading French author on syndicate theory, Paul de Rousiers, four times, he did not name a single well-known German cartel author.⁷⁷ But in Laur's work of 1903, the Germans Robert Liefmann and Ernst von Halle appeared three respectively five times, Rousiers only once.⁷⁸
- Emilio Cossa [=Italian] (*I sindacati industriali (trusts)*. Milano 1901)^G listed 83 titles, among them 19 each of German language and Romanic tongues (each 22.9%) and among the latter slightly more French than Italian. Excluding the books on the trust issue, which at this time was spectacular, 41% of the literature was of German and 30% of Romanic provenience.⁷⁹ A chapter – that on the topic of the cartel forms – was based on the German author Robert Liefmann almost exclusively.

Rundstein 1904; Rundstein Szymon – Personen – Virtual Shtetl.

75 Separate bibliographies were at that time, even for larger oeuvres, rare. Authors like Rousiers, Rafalovich, Laur or Martin Saint-Léon abstained from those.

76 Babled 1892, p. 245–251.

77 Laur 1900.

78 Laur 1903.

79 Cossa 1901, p. 172–179.

- Luigi Airoidi [=Italo-Swiss] (*I sindacati industriali nella Svizzera*. Bellinzona 1909)^G used for his doctoral thesis 21 writings on associations, among those 15 (71.4%) were in German, 5 (23.8%) in French, one in Italian (4.8%) and none in English.⁸⁰
- Georges de Leener [=Belgian] (*L'organisation syndicale des chefs d'industrie. Etude sur les syndicats industriels en Belgique*. Vol. 2: La théorie. Bruxelles 1909)^G named 93 works that were related to cartels, associations or trusts, among those 43 (46.2%) were in German, 30 (32.3%) in English and only 19 (20.4%) in French.⁸¹

Compared with the publications of Romanic countries, Central European cartel⁺ theory, to which Imperial German, Austrian, and Hungarian authors contributed, was generally more self-centered:⁸²

- Josef Grunzel [=Austrian] (*Über Kartelle*. Leipzig 1902)^D was mainly based on literature of German tongue: Among the 26 titles of his reference list, 20 (= 77%) were of German language, 3 (= 11.5%) of Romanic and English tongue each.⁸³
- Robert Liefmann [=Imperial German] (*Kartelle und Trusts*. Stuttgart 1905)^D named in his selected bibliography (which was not really a list of the used literature) only eleven and only titles of German language.⁸⁴ The publications of the German scientific landscape were fully sufficient for him.
- Markus Ettinger [=Austrian] (*Die Kartelle in Oesterreich*. Wien 1905)^{D/G} provided with 44.5 printed pages the apparently most comprehensive «Bibliographie der Kartell-Literatur»⁸⁵ of his time. In this wide-spread internationally composed survey, German-language publications occupied 50.7% of the printed space, Anglophone titles 31.5% and French ones 11.3%. Adding the Hungarian and (German-)Swiss titles to the German ones and furthermore the Italian and Belgian ones (each 2.3%) to the French, Central Europe amounted up to 51.8% and the Romanic countries up to 15.8%. The literature of the Anglosphere was about 90% on trusts, so that Central Europe clearly dominated the actual respectively narrower cartel topic with around ¾ of the titles.
- Ferdinand Baumgarten and Artur Meszlény [=Hungarians] (*Kartelle u. Trusts*. Berlin/Budapest 1906)^G took account of the extra-regional literature (motivated by a Hungarian self-assertion) with a little more zeal, but German speaking authors remained (with 42.9%) the by far largest group (18 of overall 42).⁸⁶ Including the five Hungarian authors, the Central European literature had a share of 54.8%. Excluding the trust issue (12 titles) as specifically American, 70% of the literature (21 titles) were Central European, 26.7% (8 titles) Romanic and one single book English (3.3%). And one author (the Imperial German Robert Liefmann) was mentioned with even three publications. More than the title statistics reveals, the German cartel⁺ theory was for Baumgarten/Meszlény the reference of the subject area: Their own study had been translated into

80 Airoidi 1909, p. 161.

81 Leener 1909b, p. 570–575.

82 Imperial German authors around 1900 – typically: Liefmann 1897 and 1903, Pohle 1898 and Tschierschky 1903 – mostly still refrained from assigning bibliographies to their books. Insofar, in the following itemization, the Austrians and Hungarians are over-represented.

83 Grunzel 1902, p. 325 f.

84 Liefmann 1905, p. 8. Liefmann retained this line, to recommend only German literature in a to him convenient selection, during the following years, for instance: Liefmann 1922, p. 308–311.

85 Ettinger 1905, p. I–LIX. Ettinger did not commit himself in regard of the meaning of «cartel»: Depending on the literature explicated by him, he applied «Kartell» either dichotomously or in a generalizing sense.

86 Baumgarten and Meszlény 1906, p. 4–7.

- German, because «the industrialized countries of German tongue [...] should] have, before others, [...] a claim on the results of the research about the cartel question».⁸⁷
- Siegfried Tschierschky [=Imperial German] (Kartell u. Trust. Leipzig 1911)^D clearly favored the German-speaking literature in contrast to the foreign one. Among the 125 titles of his selected bibliography were 92 (73.6%) of German tongue and only 33 (26.4%) of foreign languages.⁸⁸ Among those, at least Georges de Leener (‘Syndicats ...’ 1909) and Jeremiah Jenks (‘Trusts ...’ 1902) were praised.

By 1910, German cartel theory (namely its aspiring dichotomist direction) had acquired a clear lead in international reputation, compared with its major competitor, the Romanic syndicate studies. French and Italian authors cited German cartel authors actively, without being quoted reversely to a noteworthy degree. Some Frenchmen (like Arthur Raffalovich and Étienne Martin Saint-Léon) even took over the modernized narrow cartel concept.

3.3 The exchange between the Anglosphere and Continental Europe

Between the Anglosphere and Continental Europe clearly less theoretical influence took place than between Central Europe and the Romanic countries. Mainly information was taken on, much about the spectacular US-American trusts⁸⁹, substantially less on the cartels and syndicates of Continental Europe. The US-American studies on business combinations and concentration were focused on the domestic trusts and considered foreign developments only marginally. The authors of the Anglosphere were interested in questions of industrial efficiency, little in the often dysfunctional dynamics of looser enterprise associations. Thus, cartel⁺ theory was most likely observed only by some English scholars of economic concentration (such as Macrosty).⁹⁰ Conversely, German authors, like Ernst von Halle, took offense at the all too easy handling of the monopoly concept by the Anglo-Saxons, with which «an unspeakable misuse [was] conducted».⁹¹ – Anglo-Saxon and Central European authors agreed unanimously in one point: Francophone authors had an inclination to trivialize the desire for monopoly of their own domestic enterprise associations.⁹²

Apparently, the most misunderstandings because of terminological incongruence had occurred with the authors of the Anglosphere towards those of Continental Europe:

- The American David Kinley stated in 1902, Paul de Rousiers was «in error» with his opinion that the «European syndicates», in contrast to the «American trusts, [...] would] prevent the elimination of the weaker concerns».⁹³ Kinley responded «[that] some of our combinations have many lame ducks supported». Rousiers, however, had certainly meant the ‘trusts’ in the strict sense, which excluded the looser business ‘combinations».

87 Baumgarten and Meszlény 1906, p. 3. Original quotation: «die Industrieländer deutscher Sprache [...] vor anderen ein [...] Anrecht auf die Ergebnisse der Forschungen über die Kartellfrage».

88 Tschierschky 1911, p. 183–195.

89 For instance: Jenks 1891; Jenks 1892.

90 So: Macrosty 1903.

91 Halle 1896, p. 239. Original quotation: «ein unsäglicher Mißbrauch getrieben».

92 Bullock 1902, p. 711; Bräuer 1905, p. 337 f.

93 Kinley 1902, p. 302. ‘Concern’ here not in the (somewhat later emerged) meaning of ‘corporate group’, but as ‘business interest’ or ‘enterprise».

– The Briton Henry W. Macrosty informed in 1903 Josef Grunzel that cartels could easily transform into trusts and therefore his narrow cartel concept was wrong.⁹⁴ But, with this indication of an *«ideal-typical»* [= normatively characteristic] path of cartel development, Macrosty carried downright coals to Newcastle: this was already well-known to the Germans, for some time. Apart from that, he took the liberty to understand Grunzel's concept of *«Kartell»* simply and broadly as *«combination»* in the English sense, thereby ignoring more than one decade of a narrower, dichotomous term application in Central Europe.

The Anglosphere was – for German-language authors – a difficult science region; the doctrinal system of the Historical School, for instance, was regarded as untranslatable (into English). Gustav Schmoller therefore refrained from publishing his *«Volkswirtschaftslehre»* [*«National Economics»*] in English. Neither in the United States nor in England a deeper interest existed for the intricacies of the (dichotomous) German association theory, the sophisticated classification of the cartel forms and the doctrine of the competition within cartels. Thus, Robert Liefmann, who published in the USA in 1915, confined his subject on the issues of monopoly and antitrust.⁹⁵

⁹⁴ Macrosty 1903, p. 162.

⁹⁵ Liefmann 1915.

4. The formation of a new, functionalist cartel theory in Germany between 1889 and 1905

Essential for the upturn and gain of reputation of the Central European cartel theory since the end of the 1890s was the scientific and publication performance of the dichotomists. These marginalized the older generalist approach within the German language area until around 1910. The sense of mission in the theoretical and conceptual field plus the intolerance towards any studies in foreign-languages that were identified as inferior, is clearly to be assigned to those modernizers.

The cartel⁺ theory of Central Europe was a child of the younger Historical School of Economics and in its early stages consistently *generalizing*. Founded by Friedrich Kleinwächter, welcomed and encouraged by Gustav Schmoller, this approach was institutionalistic in the 1880s in the sense of historical development lines. So Kleinwächter and his reviewer Schmoller already discussed the conditions of origin and the prospects of the cartels as early as 1883: Many of these associations proved to be unstable, disintegrated shortly after founding, while others – some only – led to the «fusion» of the involved enterprises. The historical-genetic view of the early cartel⁺ authors was open to cultural peculiarities, to the «manifoldness» («Mannigfaltigkeit») and variability of social organization. It tended more to an integrated, holistic view than to a perception that strictly distinguished subject-matters. The merger perspective of a «monopolization of the cartels»⁹⁶ was subsumed by Kleinwächter and Schmoller also under «Kartell»: Not only railway, but also industrial cartels (like that of the «Steirische Eisenwerke» [«Styrian ironworks»]) had led to fusion; this would be «their future» («ihre Zukunft»)⁹⁷. Other members of the Historical School like Karl Bücher or Wilhelm Stieda joined. For Stieda (in 1894), the trusts were a «higher stage of progressive cartelization».⁹⁸ The last major work of this direction dates from 1906: the award-winning book of the Hungarian cartel studies by Baumgarten/Meszlény.

Since 1889, there was a reform line within the existing cartel⁺ theory. A need became effective to deepen the theory by refining its terminology and promoting differentiation and classification:

- In 1889, 1891 and 1894/95, Paul Aschrott, W. van der Schalk⁹⁹, Ernst von Halle and Adolf Menzel clearly distinguished the «cartels» from the as capital groups organized «trusts».¹⁰⁰ Except of Halle, those authors were all jurists, for whom the analysis of control relationships was apparently easier than for the economists.
- The position of the early dichotomists was taken over by Robert Liefmann in his doctoral thesis of 1897.¹⁰¹ Based on preliminary work from Kleinwächter and Menzel, Liefmann also presented an elaborated classification of the cartel forms.¹⁰² By exclusion of the trusts, this could be more precise than those of generalist authors. That methodical advantage continued with the description of the cartel effects.
- With Ludwig Pohle, Josef Grunzel and Siegfried Tschierschky (in 1898, 1902 and 1903),

96 Kleinwächter 1883, p. 190. Original German quotation: «Monopolisirung der Kartelle».

97 Schmoller 1883, p. 336.

98 Stieda 1895, p. 5.

99 Schalk was Dutch, but absolutely consistent with the way of thinking of his German colleagues.

100 Aschrott 1889, p. 383 f.; Menzel 1895, p. 28.

101 Liefmann 1897, p. 18.

102 Liefmann 1897, p. 57–70.

further young scholars adopted the dichotomist position.¹⁰³ Even the founder of the cartel⁺ theory – Kleinwächter – had advocated, in 1894 and 1900, the delimitation of the trusts from the cartels, albeit indirectly, by an analogy of constitutional law.¹⁰⁴



Picture 18:
Wilhelm Stieda
(1852–1933),
German economist

Around 1900, the position of the advanced dichotomists – a concise cartel theory finely structured by functional criteria – was largely elaborated. Its approval, especially by young scientists, increasingly queried the cartel doctrine of traditional design (=cartel⁺ theory): The latter became the position of a dwindling and aging squad around Gustav Schmoller, the doyen of the Historical School.

The rising attractiveness of the narrow cartel concept with its strict separation from the trusts ran parallel to the growing presence of the predominantly American mega-enterprises in Germany:

- Since 1897, the aggressive strategy of market control by the ‘Standard Oil Company’ led repeatedly to critical discussions in the Reichstag and within the political public. In 1903, Theodor Duimchen, a fuel merchant from Hamburg, who had been driven into bankruptcy by Rockefeller’s mega-corporation, published a pamphlet, in which he conjured up the downfall of liberal society by the advance of repressive, autocratic trusts.¹⁰⁵
- The emergence of the ‘US Steel Corporation’ in 1901, this ‘trust of the trusts’, prompted the formerly quarreling steel enterprisers of the Ruhr area in 1904 to form a firm large cartel, the ‘Stahlwerksverband’ (Steelwork Association).¹⁰⁶
- Between 1901 and 1915, the rapid expansion of ‘British American Tobacco’, a joint venture of ‘American Tobacco’ and (the British) ‘Imperial Tobacco’, led to outrage within an industry in Germany that was up to then dominated by small firms.¹⁰⁷

¹⁰³ Pohle 1898, p. 67, 85.

¹⁰⁴ Kleinwächter 1894, p. 355; Kleinwächter 1900, p. 42.

¹⁰⁵ Duimchen 1903.

¹⁰⁶ Altmann 1908, p. 42.

¹⁰⁷ Blaich 1975.

Concerns about the German economy seized also Gustav Schmoller, the leader of the Historical School. The meeting of the ›Verein für Socialpolitik‹ [›Association for Social Policy‹] of 1905 on ›the relationship of the cartels to the state‹ was used by him as a podium for sharp criticism of American business practices. Unlike before, Schmoller now described the trusts in a dichotomous manner, as antithetic towards the cartels: The former would be ruthless, the latter ›democratic-cooperative‹.¹⁰⁸ ›The trustification‹ creates tendentially ›a system of robbery and fraud, the right cartelization [...] a system of justice and equity.‹¹⁰⁹ He stated not to be generally against concentration, but would be wishing to ›keep the side effects of the American trusts [...] away from Germany‹.¹¹⁰ Implicitly, the development path from cartels to trusts was no longer presented as inevitable, but as controllable. This way, Schmoller obviously tried to appease also his own trustification anxieties. The new edition of his ›Volkswirtschaftslehre‹ from 1908 was modified: The trusts were now treated at some distance to the cartel theme. The previous indication, the former would be merely a ›juridical‹ variation of the European selling syndicates (and hence: cartels), was now omitted.¹¹¹ This change in classification was abrupt: Still 1905, the year of his warning speech, Schmoller had described in the ›Principes d'économie politique‹, the French edition of his main work, the ›formation of cartels‹ in the range from ›innocent agreements on sales conditions‹ to ›the complete fusion of the enterprises‹. Thus, he had explicitly included the stage of trust formation into the scope of cartel development.¹¹² Of similar importance as the position change of the doyen of the academic discipline, was another factor: Robert Liefmann, the foremost dichotomist, got personally and demonstratively acknowledged. He had the honor to hold the second academic lecture at the meeting of the ›Verein‹ in 1905, after Gustav Schmoller.¹¹³ Under ignorance of substantial, especially methodical disagreements, the elder scholarly master promoted the new one. He did this, for instance, by a respectful quoting from then on. The cartel theory of new design got by accolade of Schmoller a clear leader, whereby Liefmann's claim to be the best of all cartel theorists was satisfied too.¹¹⁴

An important contribution to reinforce the dichotomist view came also from Siegfried Tschierschky: Since 1904, he was editor of the ›Kartell-Rundschau‹ (›cartel review‹), a successful specialist journal. Tschierschky was in a decisive position to popularize the dichotomy of cartels and trusts.¹¹⁵ The emphasis on the differences and transformation barriers towards the latter was capable to alleviate the pervasive fears of the public – at the same time promoting the narrow concept of cartel.

In some respects, Gustav Schmoller's change of position came relatively late. As early as the end of 1902, it became apparent that the dichotomist concept of cartel could be also more appropriate for policy or governmental probing and decision-making than the generalizing one: The German Imperial Ministry of Internal Affairs (Reichsinnenministerium) chose, for the inquiry on cartels (Kartell-Enquête) from 1903 to 1905, a narrow definition for the objects

108 Schmoller 1905a, p. 344, 358. Original title: ›Das Verhältnis der Kartelle zum Staat‹. Original quotation: ›demokratisch-genossenschaftlich‹.

109 Schmoller 1905a, p. 359. Original quotation: ›Die Vertrustung [...] ein System des Raubes und des Betruges, die richtige Kartellierung [...] ein System der Gerechtigkeit und Billigkeit.‹

110 Schmoller 1905a, p. 358.

111 Schmoller 1908, p. 531–550; Schmoller 1900, p. 451.

112 Schmoller 1905b, p. 577–579 (Vol. 1,2). Original quotation: ›formation des Kartells [...] in the range of – H.L.] innocentes conventions sur les conditions [...] to] la fusion complete des entreprises‹.

113 Liefmann 1906. To be precise, a cartel practitioner, Emil Kirdorf from the RWKS, held the second, but not academic speech after Schmoller and before Liefmann. Kirdorf 1906.

114 Liefmann's hunger for recognition was notorious, his criticism feared. Blümle and Goldschmidt 2005, p. 158, 166.

115 So in: Tschierschky 1906.

of investigation, namely «all associations of independent enterprisers [... which aim to get] influence on the prices».¹¹⁶ Thus, the trusts were definitely excluded by dichotomy. This line of narrow cartel definition, which seemed to be interested in potential «problem cartels» and therefore excluded the mergers as not relevant, was retained by the Reich government even in the following years, as can be seen from the contributions to the multi-volume «memorandum on the cartel system» («Denkschrift über das Kartellwesen»).¹¹⁷

The effort to have made clarity in terms of «cartels, rings¹¹⁸, trusts, syndicates, alliances¹¹⁹ [...] coalitions», against great uncertainties, was definitely recognized, acknowledged and accredited to the right persons by the academically educated public in Germany. So, in 1909, Hermann Ortloff, professor emeritus (jurist) of Jena, praised both Robert Liefmann and Siegfried Tschierschky: «[...] the mentioned authors contributed much to clarification.»¹²⁰

116 Die Definition der Cartelle 1903, p. 22. Original quotation: «alle Vereinigungen von selbständigen Unternehmern [...] to conduct] Einwirkung auf die Preise».

117 Ortloff 1909, p. 17.

118 «Ringe», «Schwänze» or «Corners» were dealer alliances to shorten the supply of goods with speculative aims. Such connections were an annoyance of the time then and were, by and by, curbed through legal regulations. Decades later, since the 1970s, speculation with commodities increased again, on the basis of neoliberal deregulations, now mainly in the modernized form of derivative financial instruments or so-called «commodity derivatives».

119 «Allianzen» were tariff communities of enterprisers and workers of particular industries.

120 Ortloff 1909, p. 12. Original quotation: «Kartelle, Ringe, Trusts, Syndikate, Allianzen [...] Koalitionen». «[...] die genannten Schriftsteller haben viel zur Klärung beigetragen.»

5. The specifics of cartel theory in relation to the theories on syndicates, combinations and trusts

As shown in chapter 3, the increasing dominance of the German cartel theory over its foreign counterparts was essentially due to the greater presence and agility of the German scholars. Their science marketing (above all that of Robert Liefmann) was more vigorous than that of their colleagues and competitors abroad. But also, the product itself – the offered knowledge constructs – had to have properties that were ultimately convincing. The reasons for the final success of the communication offensives carried out by the German cartel authors should therefore lie in the peculiarities of their scientific design.

Criteria for the assessment of scientific quality shall be the constructs of ‘modernity’ and ‘methodological standards’ defined as follows:

- The ‘modernity’ of knowledge implies a greater accordance with later (newer) than with earlier (older) concepts and conclusions, as a rule also a greater differentiation and preciseness.
- ‘Methodological standards of science’ are those of a correctness of the empirical and logical procedures.

5.1 Cartel theory versus Romanic syndicate studies

The superiority of the Central European cartel⁺ theory can be proved according to the above criteria, especially against the French syndicate theory leading in the Romanic area. This is already true for the older, generalist German cartel⁺ theory, which was at least in parts more meaningful than its French counterpart. The evolutionary boost by the dichotomists made the German cartel theory once more differentiated and precise. The quality deficiencies of the Romanic (French, Belgian or Italian) studies on business associations can be seen in:

- the still incomplete analysis of the forms of business unions by functional criteria that were, in an ambivalent manner, partly substituted by other, often ethno-psychologic points of view,
- the merely piecemeal and not systemic reception of the German cartel theory,
- mistakes in deduction and generalization.

5.1.1 Functionalism as a criterion of modernity for theories of organization

In the following, the use of *functionalism* is chosen as criterion for modernity in organizational-scientific contexts. Functionalist-structuralist thinking is a method of coping with complexity and gaining knowledge. Consistently applied, it leads to a revision of preconceived notions of, for example, religious or biologicistic nature. In the societal sphere, activities and relationships (‘functions’ and ‘structures’) are explained by needs and goal-oriented action, which sooner or later can be further developed to a systemic thought.¹²¹

The tendency of a development towards a deeper analytical thinking, which was more differentiated by distinguishing more structures and functions, began early on the German-speaking side. This becomes evident from a comparison of the authors Henry Babled [=Frenchman] (*Les syndicats de producteurs et détenteurs de marchandises au double point de vue économique et pénal*. Paris 1892)^G and Friedrich Kleinwächter [=Austrian] (*Die Kartelle. Ein Beitrag zur Frage der Organisation der Volkswirtschaft*. Innsbruck 1883)^G: Nine years after Kleinwächter, who in 1883 already distinguished five cartel forms, Babled in 1892 named only three,¹²² while the textual quantities of the relevant subject chapters and of the complete studies were about the same. At this time, both scholars still applied the generalizing concept of ‘cartel’ or ‘syndicate’: The dichotomous idea of a strict separation between ‘association’ and ‘corporate group’ was still in its infancy.

An essential feature of the Francophone syndicate theory was its assertion that entrepreneurial unions would not only follow economic purposes, but would substantially comply with the respective national character. Exemplary for this argumentation stands Paul de Rousiers, who assigned the trusts to the American mentality, the cartels to the German nature and the ‘comptoirs’ to the French mindset.¹²³ Regarding France, this notion indicated a desire for delimitation against the United States and Germany. An adoption of both the trust model and the cartel scheme was rather out of question for the supporters of this direction, because such would have run contrary to the French national character.

In 1908, the French junior scientist P. Obrin took up the idea of specific national-cultural forms of entrepreneurial combinations and, more clearly than Rousiers, developed them in an ethno-psychological way:

«Each country [...] always ends up adopting the regime that is most compatible with its temperament, the one that best responds to its character. Thus, in America, the form ‘trust’ was certainly the most appropriate. The American is ambitious, in love with domination, enterprising, even rash. [...]. Germany was made for the ‘cartels’. The German is by nature docile and easily submits to authority. He also has the highest degree of need to enter into agreements. We know, moreover, this famous phrase: ‘Abandon three Germans somewhere, they will begin by forming an association.’ But in France, our independent and rather ambitious character was an obstacle to the conclusion of industrial agreements. Therefore, we have mainly adopted the form which obliged us to abdicate only a very small part of our liberty. Industrialists willingly agree to belong to groups in our country, but on condition that they retain control over their own affairs, their factories, their corporate name, in a word, their independence and above all their personality.»¹²⁴

121 On the structure-functionalism of cartel theory: Leonhardt 2013a, p. 190–205.

122 Kleinwächter 1883, p. 127–134; Babled 1892, p. 7–15.

123 Rousiers 1901, p. 156, 204–205. Rousiers was so cautious not to exalt the recognized desire for independence of the French enterprisers up to a general love for freedom of all Frenchmen.

124 Obrin 1908, p. 21–23. Original quotation: «[...] chaque pays [...] finit toujours par adopter le régime qui est le plus compatible avec son tempérament, celui qui répond le mieux à son caractère. C’est ainsi qu’en Amérique, la forme trust était assurément la plus appropriée. L’Américain est

This cultural typology of the forms of business unions could, at the first glance, appear as the result of a differentiated cultural-anthropology. But it had – like P. Obrins outspoken version shows particularly well – a biologicistic core, which can remind of the thinking of animal breeders. Purely literally, the statements made were not really impolite. But in a comparative perspective, the above cited assertions were derogatory to other peoples and contained a national bias. Their implicit logic was: The organizational forms of ‘trust’ and ‘cartel’ would match with the extreme, virtually deformed character of ‘the American’ or ‘the German’, but not with the culturally high-standing love for freedom of ‘the Frenchman’:

«Our degree of civilisation contradicts equally [as to the cartels – H.L.] to the formation of trusts. For the latter, one cannot be too moral.»¹²⁵

The applied national stereotypes were not at all only an overstatement of the scholarly novice P. Obrin. On the contrary, his approach was borne by the French syndicate theorists collectively. Their doyen Paul de Rousiers, for several decades, confirmed the viewpoint that focused on national characters – for instance in 1912 and 1927.¹²⁶ And similarly late, in 1925, the French doctoral candidate Jacque Lapergue explained the particularities of the French system of associations not by its grade of development or by functional needs, but by purely ethnic specifics.¹²⁷ – The stereotypes described above can be regarded as comparatively outmoded. They conformed to the standards of the older ethnic-psychology, which, at least since the mid-20th century, was recognized as no longer seriously applicable, because of its embedded clichés and racist bias.¹²⁸ Thus, essential parts of the French economic theory were, around 1900 and later, influenced by a biologicistic ethnic-psychology.

Behind the predisposition of the French syndicate theory for unproved assumptions about neighboring peoples, needs for national delimitation can be recognized. These led, on the side of French-speaking scholars, to a preoccupation that interfered with the analysis of the international spectrum of entrepreneurial unions. With a persistent tendency, the fact-oriented structural-functional criteria were subordinated again and again under national-cultural prejudices so that methodological errors and factually false assessments occurred.

Typical for the Francophone syndicate studies was the endeavor to present domestic phenomena of business associations as nation-specific and insofar as unique. This pursuit of scientific profile and autonomy became apparent in the dispute about the association forms ‘entente’ and ‘comptoir’ at the beginning of the 20th century. In this dispute, German cartel experts, mainly

ambitieux, amoureux de domination, entreprenant, téméraire même. [...]. L'Allemagne était faite pour les Cartels. L'Allemand est naturellement docile et se soumet facilement à l'autorité. Il éprouve également au plus haut degré le besoin de conclure des ententes. On connaît, du reste, cette phrase célèbre: «Abandonnez trois Allemands quelque part, ils commenceront par former une association». Mais en France, notre caractère indépendant et assez ambitieux formait obstacle à la conclusion d'ententes industrielles. Aussi, avons-nous principalement adopté la forme qui nous obligeait à n'abdiquer qu'une très légère partie de notre liberté. Les industriels consentent volontiers, dans notre pays, à faire partie de groupements, mais à condition de conserver leur maîtrise sur leurs propres affaires, leurs usines, leur raison sociale, en un mot, leur indépendance, et surtout leur personnalité.»

125 Obrin 1908, p. 23. Original quotation: «Notre degré de civilisation s'opposait également [comme les cartels – H.L.] à la création des trusts. Pour former un trust [...] il est [...] indispensable de ne pas être trop scrupuleux [...]»

126 Rousiers 1912, p. 96 f., 131; Rousiers 1927, p. 17.

127 Lapergue 1925, p. 228. See also chapter 6 below.

128 From the mid-20th century onwards, a «sociological and cultural-anthropological perspective» was established for ethnological issues, which was supplemented some time ago by the methodology of constructivism. Leonhardt 2015, p. 62.

Robert Liefmann in 1903, had objected that those organizational forms – in contrast to domestic assertions – were not separate types of associations or respectively cartels at all, but could be sorted into the conventional classification of the German cartel theory without any problems:

- Paul de Rousiers, the leading exponent of the French syndicate studies, had (in 1901) tried to distinguish the French «comptoirs» as a special form of association from the German selling cartels, because – to his opinion – the former only distributed the orders, while the latter regulated the production.¹²⁹ Liefmann tore this argumentation to shreds by stating: «this difference is [...] only an apparent», because the former would come down to the latter. The «comptoir de Longwy» – in those days the most renowned «syndicate» of France, which Rousiers had used as an example – would be, internationally compared, no specificity at all, but a normal selling syndicate (for iron) like numerous other unions or respectively German cartel associations.¹³⁰
- Georges de Leener had (in 1903) understood the Belgian «ententes» in a similar way as a special form of business unions. These were «a spontaneous, free and temporary agreement», which had insofar to be distinguished from «cartels» and «pools».¹³¹ Liefmann replied to this, it would be for the existence of a cartel «all the same [...] whether it persists only temporarily, whether it is formulated only orally or in writing, whether it provides penalty for non-compliance, or whether it is notarially certified or not».¹³² And in the same way, Karl Bräuer stated in 1905 that the alleged peculiarity of the «ententes» would be an irrelevant, «purely external characteristic», a fact that, by the way, had already been pointed out by Albert Schäffle in 1898.¹³³

5.1.2 The compliance of scientific standards on the part of the French syndicate studies

The classifying performance from the authors of syndicate theory was weaker, the used criteria more heterogeneous and less sound than those of their German colleagues, who stood on the grounds of cartel theory. West of the Vosges Mountains¹³⁴, the forms of associations were usually analyzed by country.¹³⁵ As described above, French authors typically distinguished «la comptoir française» in the same manner from «le cartell Allemand» as these both from «le trust Americain». The procedure to «divide the examination of the cartels into sections by country» was found faulty by Robert Liefmann in 1903 (in regard of Paul de Rousiers and Étienne Martin Saint-Léon), because one would «hinder oneself at a deeper insight into the cartel system».¹³⁶ Likewise, it would be (on the side of Rousiers) methodically «not correct» to

129 Rousiers 1901, p. 204 f.

130 Liefmann 1903b, p. 679. Original quotation: «der Unterschied ist [...] nur ein scheinbarer». For the term «Produktionskartell» see also the relevant footnote in sub-chapter 6.1.3. below.

131 See in: Leener 1903, p. 74, respectively the translation in: Bräuer 1905, p. 333.

132 Liefmann 1903b, p. 689.

133 Bräuer 1905, p. 333; Schaeffle 1898, p. 492.

134 Since the war of 1870–71 and until 1918, the Vosges Mountains were the main border line between France and Germany.

135 Liefmann 1903b, p. 677–681, 689.

136 Liefmann argued here very strictly, but was right in tendency. Some German-speaking authors like Josef Grunzel occasionally also divided their material into chapters by country. For the scientific quality, it was important to have penetrated the material in total and not only in separate parts by chapter.

commence with the American trusts, the highest form of union, but with what was «established first» (thus: with cartels or loose entrepreneurial accords).¹³⁷ Both methodical indications remained disregarded: The criticized books of Rousiers and Martin Saint-Léon were published in the relevant points unchanged up to World War I.¹³⁸ Other authors of the Romanic sphere, such as J. Chastin, also adhered to the traditional economic-cultural viewpoint and to the division of the chapters by country.¹³⁹

Another methodical mistake was the generalization by false deduction. So, Paul de Rousiers claimed in 1901 that for the concentration of sales («degré de concentration commerciale») it would make hardly any difference, whether industries in Germany would be organized as cartels or as trusts.¹⁴⁰ At this point, a conclusion by analogy was at hand, which had been provoked by the recognition of parallels between cartels and trusts and had led to the assertion of even more congruence. But Rousiers was vigorously answered back by his German reviewer Robert Liefmann.¹⁴¹ Meanwhile it belonged to the standard of knowledge of the Central European cartel theory that sales syndicates and other quota cartels did not function in some respect like centrally managed corporate groups. So, larger portions of the overall sales could be done outside of the relevant cartels (for instance the so-called internal consumption¹⁴², the supply of regular customers and/or some quantities for exportation). In the long term, the control of sales in a cartel was often threatened by over-investments of its members. Conversely, the centralization and control of sales were normally perfect with the trusts, and a «quota armament»¹⁴³ («Quotenrüsten») between member companies of a corporate group was usually impossible.

Ultimately, another mistaken scientific practice can be identified: Knowledge was imported typically in a narrowed and unsystematical manner. The classification of the cartels, i.e. the subsumption of the «manifoldness of the cartel forms» («Mannigfaltigkeit der Kartellformen»), was undisputedly the domain of the Germans. As a scale to determine the «forms», they applied the ideal-typical path of cartelization from loose agreements to fusion. This line of development had been postulated by the members of the Historical School Friedrich Kleinwächter, Gustav Schmoller and Bruno Schoenlank,¹⁴⁴ and it had not been discarded, but only relativized by the later succeeding dichotomists. The Romanic authors, Francophones as well as Italians, cited for an enrichment of their works preferredly Robert Liefmann, in addition Josef Grunzel and Ludwig Pohle. Only some knowledge components, mainly in regard of the international respected «Kartellformen», were taken over, but not the underlying methodology and overall perspective. Typical for the French syndicate theory was a static and descriptive view on the subject-matter of business concentration. Insofar, important other elements of knowledge, namely those connected with the dynamics and potentials of the cartelization, were not or not completely taken on from cartel theory.

137 Liefmann 1903b, p. 677. Original quotation: «nicht richtig [...] zuerst entstanden [...] Untersuchung der Kartelle nach Ländern zu teilen [...] hindert sich selbst an einem tieferen Einblick in das Kartellwesen».

138 Rousiers 1912; Martin Saint-Léon 1909.

139 Chastin 1909.

140 Rousiers 1901, p. 114 f. In the 2. ed. of 1912 these statements are not included any more. Original quotation: «cette différence [...] reste très souvent absolument sans effet».

141 Liefmann 1903b, p. 678.

142 The internal consumption could have been substantial in regard of combined plants («mixed plants») or enterprises belonging to a concern or corporate group. Normally this share of output was treated in a more advantageous way than the syndicated production.

143 The notorious efforts to increase one's own production capacity to gain a greater share of the joint sales and profits within a cartel.

144 Leonhardt 2013a, p. 51–53.

Among the authors of the Romanic area that tried to enrich their studies by adoption of external theoretical components the Belgian Georges de Leener was an exception. His oeuvres of 1903 and 1909 exceeded in arrangement and evaluation of the material the usual eclectic standard and gained recognition even from German scholars. Leener's work of 1909 comprised an empirical and a theoretical volume totalling more than 1,000 pages.¹⁴⁵ Thereby, it was more voluminous than any cartel treatise that had been published in Germany until then. Leener's book was divided by structural-functional criteria, not by country. His syndicate theory included all topics of a comparable German cartel study:¹⁴⁶

- the types and forms of the «syndicats industriels»,
- their organizational structures and processes,
- a doctrine of functions, in which the manifold economic, social and political effects of the formation of entrepreneurial associations were distinguished accurately,
- a sociology and psychology of the «syndicats industriels»,
- a doctrine of power and conflict of the enterprise associations and
- recommendations for action by the public authorities.

At first glance, Georges de Leener's syndicate study appears to be equal or even superior to the German cartel theory: His oeuvre was over long stretches clearly and homogeneously structured, in a similar manner as the works of Robert Liefmann or Siegfried Tschierschky and even more elaborate. A clear difference existed in the classification of the trusts, which Leener had advanced to the highest form of the «syndicats». But from this, only seldomly a recognizable reduction of quality accrued: Leener was advantaged by the fact that no trusts existed in Belgium at that time. Therefore, their specific properties could not be mixed up with those of the cartels. A more substantial and fatal defect of Leener's approach was that it was not exportable: It concentrated all too much upon the Belgian or – maximally – the Romanic conditions. – Leener's study remained an isolated diligence work without much after-effects.

5.1.3 The idealization of the «German cartel» («cartel allemand») by adherents of the French syndicate theory

Noteworthy is the great respect, the Francophone experts for business associations and concentration revealed for the «German cartels» before World War I. Typically, the syndicate theorists considered them as a specific organizational form that differed from their own domestic associations. Also amazing is the fact that scarcely anybody in the German-language area took notice of the deep admiration of their cultural area in the field of entrepreneurial associations. Contemporarily, only Robert Liefmann, who in 1903 reviewed the «recent French cartel literature», showed a response at all.¹⁴⁷

In France and Belgium, a whole complex of definitely wrong ideas existed about the «cartel allemand»:

- The authors of the Francophone syndicate theory conceived «Kartell» as a remarkably stable and harmonic form of union. The Belgian Georges de Leener, for instance, depicted

¹⁴⁵ Leener 1909a; Leener 1909b.

¹⁴⁶ On the structural analysis of classical cartel theory: Leonhardt 2013a, p. 106 f.

¹⁴⁷ This ranged from a rectification to an ironical citation of the objected text passages. Liefmann 1903b.

- (in 1903) the spontaneous, not binding and short-term «ententes» as specifics of his cultural area.¹⁴⁸ By this, he suggested in reverse, the «German cartels» would be altogether durable, contractually fixed agreements, which were resilient and legally secure. The Frenchman J. Chastin defined (in 1909) the «ententes» quite similarly as Leener as only loose, verbal agreements without any sanctioning power, the «cartels» on the contrary as very durable unions.¹⁴⁹ And Paul de Rousiers stated (in 1901 and 1912) that «in Germany, the cartels are honest [...] Their duration is according to this [relatively long].»¹⁵⁰
- Rousiers held (in 1901 and 1912) the opinion that the «German cartels» would in any case control the prices and production quantities.¹⁵¹ He assumed that they had mostly joint selling agencies (then being «syndicates» in the German sense).¹⁵² Also Chastin agreed (in 1909) with this by stating that German cartels of the supply side had «généralement» a central selling agency.¹⁵³ In their consequences for the market, Rousiers very largely equated cartels and trusts (as mentioned above).¹⁵⁴
 - Rousiers (in 1901) and others, like P. Obrin (in 1908), identified the difference between French *comptoirs* and German cartels respectively selling syndicates in the very feature that the former regulated the sales, while the latter did the same for the production.¹⁵⁵ Thus, the organizational control on the German side was believed to be much more pronounced than in France.¹⁵⁶
 - Francis Laur (in 1903) simply designated the German cartel system according to the example of the Rhenish-Westphalian Coal Syndicate (Rheinisch-Westfälisches Kohlsyndikat, RWKS) as template for industrial unions.¹⁵⁷ «This cartel is [...] a school for commercial discipline» and would represent a great progress compared with the untamed single-entrepreneurship.
 - For Obrin too (in 1908), «the cartel» was «an organization of higher degree» and «the most perfect is surely the cartel of the coal mines of Rhine and Westphalia: the Rheinisch-Westfälische Kohlen-Syndikat».¹⁵⁸

148 Leener 1903, p. 74. Leener's view was in contradiction with several German-Central European cartel theorists, who had classified also purely informal agreements as cartels: See sub-chapter 5.1.1. above.

149 Chastin 1909, p. I.

150 Rousiers 1901, p. 156 f.; Rousiers 1912, p. 131 f. Original quotation: «En Allemagne, les cartells sont sincère [...]. Leur durée tient à cela.»

151 Rousiers 1901, p. 113; Rousiers 1912, p. 100. Rousiers obviously did not follow the German doctrine of the cartel forms in its full accuracy. In the latter, «condition cartels» (= standardization of the sales conditions) were well-known.

152 Rousiers 1901, p. 111; Rousiers 1912, p. 98. Only a minority of the German cartels were actually joint selling syndicates.

153 Chastin 1909, p. I.

154 On the response of Robert Liefmann to this conclusion see sub-chapter 5.1.2 above.

155 Rousiers 1901, p. 204 f.

156 A direct control of the production was very seldom in the cartel system generally; it could occur for instance by commonly decided closedowns. The French misunderstanding about the German selling cartels possibly arose, because German cartel theorists spoke within their classifications indeed about «Produktionskartelle». Already in: Kleinwächter 1883, p. 127, continued among others by: Liefmann 1897, p. 79–85. But a production cartel, which was at the same time a joint selling syndicate, functioned as a rule over its sales – just like the French selling syndicates.

157 Laur 1903, p. 462 f. Original quotation: «Ce cartel est [...] une école de discipline commerciale».

158 Obrin 1908, p. 13 f. Original quotation: «le Cartel [...] une organisation d'un degré supérieur» and «le plus parfait est assurément le cartel des houillères du Rhin et de la Westphalie: la Rheinisch-Westfälisches Kohlen Syndikat».

The above authors attributed to the «cartels», the enterprise associations of the German-Central European region, properties that these had not or not in the alledged extent. The French association and concentration experts understood the German cartels as tightly organized and super-efficient units, which they placed, in some respect, upon the same level with the US-American trusts. The recognition of the RWKS for its «perfection» was a specifically French appreciation and did not at all originate from any uncritical adoption of a possible Rhenish-German self-praise. The coal syndicate in Essen was indeed perceived by the German side as an example for the cartel movement, but not understood as «perfect»:

- As early as 1894, shortly after its foundation, Arnold Steinmann-Bucher criticized that, despite all improvements, the «highest stage [...] of good administration» was not yet achieved.¹⁵⁹
- For Julius Matern, the RWKS (of 1897) was for the German environment indeed «particularly instructive», but the American enterprisers would be in the «comprehension [...] of this way of doing business [i.e. cartelization+]» substantially more advanced.¹⁶⁰
- Kurt Wiedenfeld considered (in 1912) the RWKS as a «momentous advance» compared to the untamed competition previously, but also registered substantial shortcomings of this association: the continued dispute between the «pure» and the «combined mines» plus the increasing problems in the field of the material grades.¹⁶¹



Picture 19:
Francis Laur (1844–1934),
French mining engineer and
politician

159 Steinmann-Bucher 1894, p. 214. Original quotation: «höchste Stufe [...] guter Verwaltung».

160 Matern 1897, p. 90, 86. Original quotation: «Verständnis [...] für diese Wirtschaftsform».

161 Wiedenfeld 1912, p. 62, 63, 109, 146 (here the direct quote: «gewichtigen Fortschritt»).

The French idealization of the German «Kartelle» took place against the backdrop of economic fears that only exceptionally were directly expressed in publications on syndicate studies. Very forthright at this issue was Francis Laur, an industrial politician and association expert. In 1897 Laur had conjured up a «France without mining»,¹⁶² which could not persist against foreign competition. Three years later he recommended his fellow countrymen an increased cartelization as remedy: «Let us build cartels of all kinds.»¹⁶³ Another three years later (1903), he appointed the German cartel system à la Rhenish-Westphalian coal syndicate as a model for this goal.¹⁶⁴

Jules Méline, economic-politician and former French minister, argued in his foreword to Laur's book of 1903 in the same direction and lamented that the French industry was heavily retarded because of its organizational deficits and would range far behind the USA and Germany:

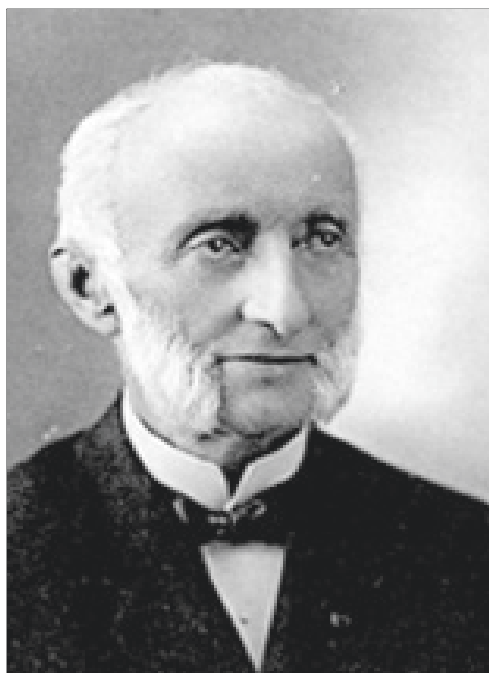
«Unfortunately, [...] most of our industries fall far behind the United States and Germany in rationality of production and sales, and even behind England and Austria. In our country, neither trusts nor cartels exist. [...] As for the cartels, we follow them only from a distance, least in their complete and perfect form. In many industries, we still remain at the stage of an unambitious syndicate with a simple executive committee or an agency of [price] registration without any direct and effective control of the production flow. Some, however, are closer to the great cartels, yet still far short of their powerful organization. What is our syndicate of sugar manufacturers, for example, and even our syndicate of refiners, two separate and often hostile unions, in comparison with the huge German combined syndicate that unites both manufacturers and refiners together? What are our mining syndicates beside the colossal mining cartel of Westphalia, which encloses Germany and Belgium [sic!]? Our metallurgy also has some syndicates very close to ordinary cartels, but which are still at a great distance from their German counterparts, from which they differ on essential points. The Comptoir de Longwy can be considered as the most perfect model of its kind, the most appropriate to our prudent and temperate nature, the most conformable to our legislation. It is a simple selling syndicate, centralizing the sale of cast iron from the main blast furnaces in Eastern France. It does not embrace the entire [national] territory like the great German cartels and leaves outside its action more than two thirds of the production.»¹⁶⁵

162 Laur 1897.

163 Laur 1900, p. 293. French original: «Faisons, des comptoirs, des ententes, des syndicats.»

164 Laur 1903, p. 462 f.

165 Méline 1903, p. XII f (paragraph arrangements slightly changed). Original quotation «On ne peut malheureusement en dire autant de la plupart de nos industries qui sont fort en retard et qui pour l'organisation rationnelle de la production et de la vente marchent bien après les Etats-Unis et l'Allemagne et même après l'Angleterre et l'Autriche. Elles ne connaissent ni les trusts ni les cartels. [...] Quant aux cartels nous ne les suivons que de loin, au moins dans leur forme complète et perfectionnée. Nous en sommes encore dans beaucoup d'industries au modeste syndicat qui n'est qu'un simple comité de défense générale ou un bureau d'enregistrement des cours, sans action directe et efficace sur la marche de la production. Quelques-uns cependant se rapprochent davantage des grands cartels tout en restant encore bien en deçà de leur puissante organisation. Qu'est-ce que notre syndicat des fabricants de sucre par exemple et même notre syndicat des raffineurs, deux syndicats séparés et souvent hostiles, en comparaison de l'immense syndicat allemand qui réunit à la fois et qui fond ensemble les fabricants et les raffineurs? Que sont nos syndicats miniers à côté du colossal cartel des mines de Westphalie qui englobe l'Allemagne et la Belgique [sic!]? Notre métallurgie possède aussi quelques syndicats très voisins des cartels ordinaires mais qui sont encore à une grande distance de leurs similaires allemands, dont ils diffèrent sur des points essentiels. Le Comptoir de Longwy peut être considéré comme le modèle le plus parfait du genre, le plus approprié à notre génie prudent et mesuré, le plus conforme à notre législation. C'est un simple syndicat de ven-



Picture 20:
Jules Méline (1838–1925),
French economic-politician

Jules Méline's alarming address is informative for the mental background of the French syndicate theory. Like its doyen Paul de Rousiers, Méline overestimated the stability and power of the German cartels:

- The «cartels allemands» were for Méline all highly developed syndicate cartels with joint selling organizations, what was far from reality in Central Europe.
- The «Rhenish-Westphalian coal syndicate» – contrary to what was alleged – did not really have an own sales territory¹⁶⁶, but had to compete with others (like the British or Silesian coal). The Ruhr coal or the RWKS were present neither in whole Germany nor in whole Belgium. At several locations, there were competing coal fields.
- The «Comptoir de Longwy» certainly had organizational deficits. But it was unjustified to disqualify it as completely inferior to German cartels. Many of the latter, especially in industries in which there was a major post-processing, did not control the whole production of their members, because some quantities were absorbed by internal consumption.¹⁶⁷ It was not without reason that, only some years later, the history of the German «Steelwork Association» appeared as a history of crises and imperfectness since 1904.¹⁶⁸ And the German potash syndicate at Staßfurt was regarded almost as a problem cartel because of its notorious overcapacities.¹⁶⁹

te, centralisant la vente de fonte des principaux hauts fourneaux de la région de l'Est. Il n'embrasse pas l'ensemble du territoire comme les grands cartels allemands et laisse en dehors de son action plus des deux tiers de la production.»

¹⁶⁶ Roelevink 2015, p. 11.

¹⁶⁷ Mayer 1959, p. 230 f.

¹⁶⁸ Feldman 1974, p. 575–590.

¹⁶⁹ Maetschke 2008, p. 79–81.



Picture 21: German potash syndicate at Staßfurt, before 1910

Around 1900, a feeling of inferiority and third-rateness was common in the French industry. Not only the economic-politicians Jules Méline and Francis Laur expressed this feeling, but implicitly also most of the supporters of the French syndicate theory, led by Paul de Rousiers. Both sides shared the diagnosis of a lesser degree of organization, but not the conclusions from this. While Laur (and implicitly Méline) appealed to the domestic entrepreneurs for forceful efforts, the majority of the French syndicate experts remained fatalistic: One would not be capable to compete with the organizational superiority of the Americans and Germans, because the subordination under a regime of capital or association would not be compatible with the character of the cultured, freedom-loving Frenchmen.

5.2 Cartel theory and syndicate doctrine versus Anglo-Saxon theories on combinations and trusts

For several reasons, the Anglo-Saxon theories on entrepreneurial combinations are more difficult to compare with their Continental European counterparts than the latter among each other:

- The Anglophone literature on combinations and trusts was more heterogeneous, less standardized than the Continental European studies on cartels on the one side and on syndicates on the other.
- The content overlap between the Anglo-Saxon theories and their Continental European counterparts was overall smaller than between the latter.

Anglophone authors on business associations and concentration were clearly more self-referred than Continental Europeans. Initially, the core interest of the former lay only on the domestic forms of enterprise unions – like with James Jeans (in 1894) on the US-American trusts and pools. Later, German-speaking Central Europe was also included to a certain extent with its cartels to form an antipole against the trusts and combinations of the Anglosphere – so by Francis Hirst (in 1905). And finally, David McGregor (in 1906) added some French syndicates, albeit only marginally. Nevertheless, the protagonists of the Anglosphere did not come up to the often wide-spread international interest of the Continental European scholars.

For the grouping of the material, no prevailing system is detectable among the Anglophone authors up to World War I:

- In James Jeans' treatise of 1894, one can find several chapters about individual trusts or pools, but also such about enterprise unions by separate industries.¹⁷⁰ Besides this, Jeans wrote systematic chapters like «The function of the state».
- Francis Hirst divided his book (of 1905) into «Kartells in Germany and Austria [...] American Trusts [...] and] English Trusts and Combinations».¹⁷¹ Thus, he provided surveys by country indeed, but these were regionally very incomplete. To him, «Kartell [...] was] the German type of combination».¹⁷²
- David MacGregor, who examined not only Anglo-Saxon business unions, but also Continental European associations, classified (in 1906) the material in a purely structural-functional way,¹⁷³ albeit from a generalist point of view.

Anglophone authors also practiced some of the research and presentation methods that the German «grand critic» Robert Liefmann had attacked in regard of his French colleagues, for example, the division of the material into chapters by country. But the experts of the Anglosphere were apparently less criticized for this than their French counterparts. This was, first of all, surely due to the smaller material overlapping of the Anglo-Saxon studies with the (dichotomous) German cartel theory. Furthermore, the occupation with the sensational «trusts» and other capital-bound unions might have given the Anglo-Saxon authors a subtly higher rank. In fact, English combination studies and American trust theory mainly worked about capitalist mergers, this in a range from predominantly to almost exclusively. Jeremiah Jenks and David

¹⁷⁰ Jeans 1894, p. VII f.

¹⁷¹ Hirst 1905, p. V f.

¹⁷² Hirst 1905, p. 111.

¹⁷³ MacGregor 1906, p. 3.

MacGregor provided since 1900 studies, in which they described the rationalization potentials of trustification exhaustively in a structuralist-functionalist way.¹⁷⁴ On the other hand, they hardly gave any orientation for the typical cartel phenomenon of deficits of organizational control. – Thus, a general superiority of the German cartel theory over the competing Anglo-Saxon approaches cannot be argued; too large were the differences in the scientific profiles.



Picture 22:
Jeremiah Jenks (1856–1929),
American economist

¹⁷⁴ Jenks 1903; MacGregor 1906.

6. The studies on associations and combinations after World War I

World War I set a break for the science of business unions and concentration. Notably, the standard books of authors with a generalist approach did not advance to any further editions. Neither Paul de Rousiers and J. Chastin nor David MacGregor and George Carter continued their studies on syndicates respectively combinations to a noteworthy extent. The global production of the field-related literature had become quite predominantly dichotomous: in the Anglosphere, there was a theory on corporations or «trusts», in Central Europe, primarily in Germany, a theory on enterprise associations or «cartels». Only in Italy, which was as a national economy rather isolated, the traditional syndicate theory («sindacati industriali») maintained itself. There this doctrine remained unchallenged even until after 1945.¹⁷⁵

Conversely, the dichotomous cartel theory of the German language area continued its upturn during the 1920s:



Picture 23:
Clemens Lammers (1882–1957),
German industrial lobbyist and politician



Picture 24:
Louis Loucheur (1872–1931),
French businessman and industrial lobbyist

- Robert Liefmann, industrious in writing and feared as a critic, advanced completely to the foremost cartel expert worldwide. His textbook «Kartelle und Trusts» reached its eighth German edition in 1930 and gained international presence with editions in French (1914), in Russian, Dutch (both 1925) and in English (1932).¹⁷⁶
- Siegfried Tschierschky, also highly productive, had worked hard for the second rank as a cartel author behind Liefmann. He was seen as the leading specialist in juridical and management issues of the cartel system.¹⁷⁷

¹⁷⁵ Valsecchi 1949.

¹⁷⁶ Blümle and Goldschmidt 2005, p. 159 f.

¹⁷⁷ In the USA Tschierschky was regarded in the 1930s as «probably [...] Germany's foremost cartel

- Numerous other scholars, such as Herbert von Beckerath, Julius Flechtheim, Rudolf Isay, Fritz Haussmann, Max Metzner, Heinz Müllensiefen and Kurt Wiedenfeld, provided high-class contributions and a brisk professional debate.¹⁷⁸

In terms of language statistics, a strong rise of the international application of *«Kartell»/«cartel»* is detectable for the 1920s.¹⁷⁹ The issue had gained political and economic importance. Simultaneously, the relevant terminology that had been exported quite some time ago was now increasingly used abroad too. While in German the word-frequency of *«Kartell»* still grew until 1928 to the two-and-a-half-fold (around 150% plus), it reached in the same period in French the three-and-a-half-fold (around 250% plus) and until 1930 in English even the four-fold (around 300% plus) of the value of 1918/20. At the same time, the *«syndicat industriel»* was disappearing from active use within the French language,¹⁸⁰ after having become increasingly rare since around 1910. In English (unlike than in German and stronger than in French), the frequency of *«cartel»* climbed to an impressive peak in the first half of the 1930s, indicating a substitution of native-language alternatives by the new terminology. For Italy, the specific development already stated above is to be confirmed: *«Sindacato industriale»* remained until 1945 (at about the five-fold) substantially more frequent than *«cartello»*.

In parallel to the growing international dissemination of the term *«cartel»*, the following terminological shifts had occurred in the Romanic region and in the Anglosphere:

- In French, the lemma *«syndicat»* was contested, for a long time already, by a rivalry of meaning between *«trade union of the workers»* and *«industrial association»*.¹⁸¹ In the 1920s the former meaning – the *«syndicat ouvriers»* – finally prevailed. Thereby, the traditional French generic term for enterprise unions of both the association and the merger type was no longer available. Whereas the *«concern»* or corporate group was covered by *«trust»*, the entrepreneurial associations now were named as *«ententes»* (besides or synonymously with *«cartel»*). Through this, the meaning of *«ententes»* was widened, compared to the time prior of World War I. Furthermore, in its use for international alliances *«entente»* had got the connotation of a good, honorable cartel.¹⁸²
- In the Anglosphere, like *«trust»* some time before, the term *«combination»* was now increasingly understood in the narrow sense as business *«corporation»* or *«corporate group»* (*«concern»*). Hence, also this word was now less applicable as a generic term for all forms of entrepreneurial concentration including the *«cartels»*.

The Francophone syndicate theory could record only a few publications after World War I. This way, in 1921, a generalist article (based on the concept of the *«syndicats»*) was published in a French academic journal by the Italian economist Enrico Barone.¹⁸³ In 1925, the doctoral candidate Jacques Lapergue released a very traditionally held study on French enterprise

expert». Weidenhammer 1933, p. 316.

178 Representative publications were: Beckerath 1922; Flechtheim 1923; Haussmann 1926; Isay 1925; Isay 1928; Metzner 1926; Müllensiefen 1926; Wiedenfeld 1912.

179 Findings on the basis of: Google Books Ngram Viewer, February 2017. Benchmark for the comparisons are the years 1918–1920.

180 In the academic journal *Revue d'économie politique*, volume 1928, *«syndicat(s) industriel(s)»* and *«syndicat(s) de producteurs»* were used only once each, but *«cartel»* 54 times in a dichotomous sense and once with a generalizing meaning.

181 This relationship had been reinforced by the French law of 1884 on *«syndicates»*. These comprised trade associations of all kinds, of workers as well as of enterprisers. Jay 1891.

182 Hexner 1946, p. 8.

183 Barone 1921, p. 279.

associations («syndicats de producteurs»).184 In 1926, the French syndicate theory experienced a further, short revival by expert appointment from the Economic Committee of the League of Nations: Paul de Rousiers, doyen of the French association and concentration studies,¹⁸⁵ was commissioned with a contribution on the issue of international entrepreneurial unions. In his report of 1927 he avoided the basic term «syndicats», which had become old-fashioned. In the title, he wrote seemingly dichotomously about «cartels» and «trusts». But in the text corpus, he applied «les ententes» as the generic term for all forms of unions. Like before the war, Rousiers claimed that «les trusts américains et les cartels allemands» were the prototypes of the basic process of the «concentration commerciale». In other countries «autres phénomènes» would exist dependent on the conditions of the national economic culture.¹⁸⁶ «Le comptoir français» was claimed to be the specific French organizational form, which was in its external appearance more modest, less «contrary» («rébarbative») and less «rectified» («redressé») than «les cartels allemands».¹⁸⁷ Among «les ententes internationales», Rousiers examined only international cartels; not a single international corporation was named. His results referred only to the fraction of the «ententes internationales» that were organized as associations, and thus, these findings would often have proved false for international trusts – a typical shortcoming of the generalist approach caused by the overload of basic terms.

Besides Paul de Rousiers, also David MacGregor, an old master of the British combination studies, had been commissioned as an author by the League of Nations. MacGregor opened his brief expertise of 1927 with a description of the general tendency to business concentration, which he named – like in 1906 – «[industrial] combination».¹⁸⁸ In the further argumentation, he applied the term «agreement»/«entente» in the sense of «cartel agreement». Apart from this, he distinguished between «cartels» and «trusts» and used with «compulsory cartel»/«cartel obligatoire»¹⁸⁹ (= German: «Zwangskartell») a concept that was developed by German cartel theory in 1903.¹⁹⁰

As a German high potential in the field of association and concentration studies, Kurt Wiedenfeld was appointed by the League of Nations and presented his expertise in 1927.¹⁹¹ His text was, no wonder, held in the terminology of the German cartel theory and thus strictly followed the dichotomous approach. Robert Liefmann, the doyen of the German cartel theory, had not been commissioned for a contribution¹⁹², but he published autonomously, in English and German, his views about «international cartels».¹⁹³ A change of the international economic policy can be recognized as causal for the upturn of the term «Kartell». International cartels under governmental facilitation and influence had become paradigmatic for the interwar period.¹⁹⁴ With entry into World War I, the influence of the state on the economy had increased strongly; war-cartels had emerged, wherein the enterprisers had

184 Lapergue 1925, p. 228.

185 Rousiers was acknowledged in France after 1945 mainly due to his research on labor unions. Savoye 1988.

186 Rousiers 1927, p. 16.

187 Rousiers 1927, p. 17.

188 MacGregor 1927, p. 3.

189 MacGregor 1927, p. 8.

190 Kulemann 1903, p. 767. On the historical background of this compound noun: Maetschke 2008, p. 61–76.

191 Wiedenfeld 1927.

192 The reasons why are not fully clear. Liefmann was heavily ill since the end of 1921, but nevertheless he continued to do some research work.

193 Liefmann 1927a; Liefmann 1927b.

194 Kaiser and Schot 2014, p. 195–204; Fear 2007, p. 276–279; Wurm 1989, p. 1, 12–14, 18.

been subordinated to political goals.¹⁹⁵ With the abolition of the war situation and the drawing of new economic boundaries, many plants proved to be unnecessary, either at large or at their respective locations.¹⁹⁶ Europe was threatened by a disastrous economic crisis in the course of a clearing-up of the accumulated over-capacities.

The free market, which threatened to revert into cut-throat competition, provided no solution that would have saved the invested capital. Political agreements on trade had proved as insufficient for an economic settlement, because the governments did not want to conclude them for a longer term.¹⁹⁷ The idea was now to flexibly regulate the international exchange of goods through cartels. The governments, who were participating (indirectly through their enterprises) at these associations, should facilitate them. By private accords and public assistance, national trade barriers would become unnecessary and could be abolished. As paradigmatic for such a solution model appeared the formation of several business unions that had been established shortly before, such as the international calcium carbide cartel of 1924, the international light bulb cartel of 1925, the binational French-German potash syndicate of 1924/26 plus the international aluminium cartel, the international Copper Exporters Incorporation and the Continental European pig-iron association, all of 1926.¹⁹⁸

195 On the German war cartels: Pohl 2005, p. 273–275; Schreyer 1985, p. 181–208.

196 Liefmann 1927b, p. 261. For Liefmann, the two most important causes of international cartelization (among five) were induced by war.

197 Lammers 1927d, p. 147.

198 Bertilorenzi 2015, p. 33.

6.1 The debates at the International Economic Conference of 1927

Since the victory over the German Kaiserreich, France had become the politically leading power on the European continent. Largely organized by associations, the French strove to assemble an international legal framework for the foreseeable new economic order. At the end of 1925, Daniel Serruys, the French delegate at the Economic Committee of the League of Nations, suggested a «Conférence économique internationale», to which «technical experts of industrial, commercial and banking matters» should contribute.¹⁹⁹ At the same time, new specialist committees had been established at the International Chamber of Commerce in Paris. Among them was a «trade barriers committee» with a «sub-committee on international industrial unions». In view of the spectacular formation of new cartels in 1924/26, the international producer cooperations became an item within the agenda of the International Economic Conference of May 1927 together with the issue of international trade barriers. Under the motto «pacification économique», several experts developed the plan of an international supervisory authority, which should control and facilitate the activities of international cartels.²⁰⁰

In September 1925, the «Comité préparatoire» had been established for the subject-specific preparation of the conference. The new body consisted of 33 members from 21 countries, among which economic stakeholders were strongly represented.²⁰¹ The responsible political committee within the League of Nations was the «Comité économique» (consisting of 10 to 12 state delegates), for which several appointed experts provided brief reports. To the upcoming conference, each participating state could send five delegates. This led to the result that besides politicians many representatives of economic and social special interests were assembled.²⁰² At the Economic Conference of 1927, a circle of industrial delegates around the German Clemens Lammers and the Frenchman Louis Loucheur managed to ward off the project of a supranational cartel control. In an alliance with political representatives who feared for the sovereignty of their countries, they brought an appropriate resolution on the treatment and role of international cartels to adoption.²⁰³ The international enterprise associations should be free from governmental constraints, should abstain from any harmful price manipulation in the markets and should contribute responsibly to the rationalization of the world economy. By this, the etatistically oriented opposition failed with its plans for an international political cartel regime. On this issue, the French state delegates, supported only by an international group of labor union representatives, remained largely isolated and clearly the minority.²⁰⁴

At the International Economic Conference of 1927, moreover, an adequate publicity and additional research on international enterprise unions had been agreed. For this purpose, the «Comité consultatif économique» was established in 1928. This body consisted in its core of 49 stakeholders of special interests; among those the industrial sector with ten persons formed the largest group.²⁰⁵ Thus, the «Consultative Economic Committee» was in some sense a downsized International Economic Conference; like in the latter, the friends of a cartel system dominated. They persistently opposed attempts to put international cartels under supranational control. Finally, the plan for an international cartel regime was refused, not only at the International

¹⁹⁹ Kaiser and Schot 2014, p. 197.

²⁰⁰ Grossmann 1926, p. 34–38; Oualid 1926, p. 33–36.

²⁰¹ Harms 1927, p. 330.

²⁰² Harms 1927, p. 330 f. About Harm's positions towards cartels and international trade: D'Alessandro, p. 17–21.

²⁰³ Lammers 1927d, p. 149; Kaiser and Schot 2014, p. 199.

²⁰⁴ Weltwirtschaftskonferenz in Genf 1988, p. 775.

²⁰⁵ Respondek 1929, p. 217.

Economic Conference in 1927, but also at all subsequent meetings of the committees of the League of Nations until 1931.²⁰⁶ The business lobbyists under the conduct of Lammers and Loucheur succeeded again and again to let appear the control of cartels by an international authority unfavorable. A «committee of industrial experts», which had been established at the beginning of 1930, provided customized arguments for freely operating international cartels and against governmental interventions into their activities.²⁰⁷

At the end of 1929, the three economic law specialists had reported in an expertise for the Economic Committee about the juridical treatment of cartels.²⁰⁸ In doing so, they had not omitted the conceivable economic dangers of cartels and made the necessity of a political cartel control plausible. For the shortly afterwards engaged industrial experts, who were more or less cartel lobbyists at the same time, this turn in the discourse within the League of Nations could not be regardless. So, their assessment of the tenor of the juridical specialists was:²⁰⁹

«The experts' report [on the legal aspects of industrial agreements] indicates the state of the law in a number of countries and, as a conclusion, accepts, in principle, the idea of a state control of international cartels. The experts thus think that it would be possible to make these systems of public control uniform.»

The industrial specialists opposed this strictly:

«[...] there can be no possibility of giving any service an international right of control [...] of international combinations.»

Upon their recommendation, the Consultative Economic Committee requested to declare the paper of the lawyers as nonofficial: It would reflect merely the personal opinions («conceptions personnelles») of those experts.²¹⁰ The secretariat of the League of Nations followed this proposal, through which the unloved expertise no longer belonged to the authorized ideas of the global community. Notably for this conflict was the fact that on either side (pro and contra governmental controls) one German cartel specialist (Tschierschky versus Lammers) was represented.

In 1931, the French cabinet Aristide Briand made another move to bring the issue of a supranational political cartel control into the debate. In the «Europe Commission» of the League of Nations, a «plan constructif» of corresponding contents was presented.²¹¹ But this proposal was also rejected by a majority,²¹² and again Clemens Lammers, who was not only member at the Economic Advisory Committee of the League, but also at its Europe Commission, had apparently exerted an influence. From the project of cartel promotion and

206 Kaiser and Schot 2014, p. 198–204; Benni et al. 1930b, p. 118–140.

207 This board consisted of two chairmen of international mega-cartels, one cartel-experienced corporate director plus two exponents of national industrial associations: Louis Marlio was chairman of the International Aluminium Cartel, Alois Meyer was the same for the International Steel Cartel, Harry McGowan was Chairman of the British «Imperial Chemical Industries» and hence member in the boards of many cartels of relevant branches, Clemens Lammers was leading member in the Imperial Association (Reichsverband) of German industry and Antonio Benni chairman of the Italian industrial association. Bertilorenzi and Telesca 2016, p. 270.

208 Decugis et al. 1930a. The juridical consultants were the Frenchman Henri Decugis, a leading expert for trade and corporate law, the US-American Robert E. Olds, being an advocate, versed in anti-trust law, a diplomat and international representative plus the German Siegfried Tschierschky, a longtime cartel syndic, dichotomist cartel author and editor of the journal «cartel review» (German original: «Kartellrundscha»).

209 Benni et al. 1930b, p. 133.

210 Benni et al. 1930b, p. 133; Decugis et al. 1930a, p. 2.

211 Benni et al. 1932, p. 41 f., 44 and preface Lammers.

212 Benni et al. 1932, p. 40 and preface Lammers.

control via the League of Nations not much more remained in the following years than a collecting of information on these associations and the quest for an appropriate publicity about them. In the 1930s, the latter activities were carried out by the «Comité des ententes industriels internationaux», a joint body together with the International Chamber of Commerce, wherein Lammers again was substantially involved.²¹³

Concerning the knowledge management of the League of Nations on cartel affairs, a change in methodology had taken place between 1926 and 1929:

- In 1926/27, the «Comité préparatoire» of the Economic Conference had exclusively appointed *individual national specialists* for expert opinions on entrepreneurial organizational forms, trade policy and rationalization including the relevant legal and socio-political aspects.²¹⁴
- In 1929/30, the «Comité économique» commissioned *multinational teams* merely, namely the already mentioned two groups of economic law specialists and industrial experts.²¹⁵ Obviously, it was intended for the experts to coordinate intensively at the assessment of the facts and to produce a report that was unified in terms of content.

6.2 International terminology work within studies on cartels and corporate groups

For the debate on international cartels and corporate groups (trusts) plus their political control, a unitized terminology was necessary, which could only be provided by a sufficiently differentiated theory. The participation of German economic and legal experts worked like a leverage for the adoption of the concept of German cartel theory. A break-through for the application of cartel-theoretical terms²¹⁶ can be proven in the sequence of the texts that had been produced between 1926 and 1931. During this time, the portion of the texts that had been created in international cooperation increased significantly. Within this process, the following stages can be distinguished:

- The individual contributions of the experts during 1926/27 had been - neither in content nor in terminology - harmonized among each other. Only some authors, mainly the Germans, applied the (now purely dichotomous) cartel theory.
- In May 1927, the International Economic Conference decided to commission investigations about industrial unions. This resolution was at the same time a first subject-related text, which was produced transnationally. In the official language versions, French and English, cartel-theoretical subject matters were still circumscribed with «entente»/«agreement» or «association», whereas in the German translation the word «Kartell» (in the sense of cartel agreements) appeared twice.²¹⁷
- In May 1928, the Consultative Economic Committee gave a recommendation, which further steps were to be taken. Both official texts (French/English) contained «cartel»

²¹³ Bertilorenzi 2015, p. 35–44.

²¹⁴ Cassel 1927; Grossmann 1926; Hirsch 1926; Houston 1926; Lammers 1927b; Oualid 1926.

²¹⁵ Benni et al. 1930b, p. 126 f.; Decugis et al. 1930a.

²¹⁶ To those belonged also «trust» or «Konzern» as delimited, but neighboring subjects.

²¹⁷ Benni et al. 1930a, p. 3; Benni et al. 1930c, p. 3; Benni et al. 1930b, p. 1.

twice, while the German translation applied the term «Kartell» three times.²¹⁸ In the original text versions, the existence of a cartel agreement was expressed one time each with «entente»/«agreement».

- In May 1929, the Secretariat of the League of Nations described, what steps had been taken in the meantime to investigate the international cartel system. In the official texts, the word «cartel» appeared each only once, while the German «Kartell-Vereinbarung» was circumscribed nine times with «entente»/«agreement».²¹⁹ Conversely, «Kartell», including compound nouns, was found in the German translation ten times.²²⁰
- At the end of 1929, the team of juridical specialists reported to the Economic Committee about the legal options of a public control of cartels. Henri Decugis (France), Robert Olds (United States) and Siegfried Tschierschky (Germany) had divided the work among themselves into sub-topics or chapters by country. But in the elaborate preface of the printed text (p. 5–19), they drew up a common position.²²¹
- In autumn of 1930, the team of industrial experts published a brochure with analyses about the international system of cartels and corporate groups. Among the authors, who all were practitioners in the realm of international cartels and associations, Antonio Benni represented the fascistic Italy, Louis Marlio France, Aloys Meyer Luxembourg and Clemens Lammers the German Reich; the latter was also the editorial head. The originally designated British participant Harry MacGowan was unavailable for personal discussions, and took only influence per writing.²²² «The members of this Committee undertook to work together and prepare a description of various international agreements [...]»²²³ But only the preface (p. 7–9) had been formulated in common, the rest of the corpus had mainly or originally been worked out by single members.
- At the end of 1931, a sequel to the report of the industrial or respectively association practitioners was published.²²⁴ This text with its evaluations and conclusions was now made in one piece, which Lammers could not fully participate in because of his workload from the European Committee of the League of Nations.²²⁵ Thus, the text production was predominantly handled by the three non-German members.

A terminologic comparison of the three last documents in their available language variations confirms that up to 1929 the German cartel theory had become the operational concept of the cartel experts within the League of Nations. This break-through concerned the terms plus the underlying patterns of tenets and thinking:

- The treatise of the economic jurists of 1929 contains in its preface a virtually exemplary dichotomy of «cartel» and «trust», influenced surely by Siegfried Tschierschky, the renowned German cartel specialist and dichotomist. The term «cartel» was not recognizably avoided in any possible text position in both official language versions.²²⁶ The vocabulary in the chapters by country widely correlated with the extent to which «Kar-

218 Benni et al. 1930a, p. 3; Benni et al. 1930c, p. 3; Benni et al. 1930b, p. 1 f.

219 Benni et al. 1930a, p. 3 f.; Benni et al. 1930c, p. 3 f.

220 Benni et al. 1930b, p. 2 f.

221 Decugis et al. 1930a, p. 3.

222 Benni et al. 1930a, p. 4; Benni et al. 1930c, p. 4.

223 Benni et al. 1930c, p. 7. In the French version: «Les membres de ce Comité ont entrepris de procéder en commun à la description d'un certain nombre d'ententes internationales [...]». Benni et al. 1930a, p. 7.

224 Benni et al. 1931b; Benni et al. 1931a.

225 Benni et al. 1932, p. preface.

226 Decugis et al. 1930a, p. 2; Decugis et al. 1930b. A German translation was not published.

tell» or «cartel» had become a legal concept. Therefore, the text relating to the USA did not contain this term, while it appeared more or less often in other parts by country (worked out by Decugis or Tschierschky).

- The elaboration of the association practitioners of 1930 was in its preface likewise distinctively cartel-theoretical. The usage frequencies of «cartel» were in the official language versions about as high as in the German translation: In the French as well as in the English text version, virtually every opportunity was taken to apply the basic term «cartel» including some novel compounds (like «concentration cartellaire»). In the chapters for the individual enterprise unions, this accepting tendency continued at large.
- The following study of the association practitioners of 1931 remained in terms of terminology unchanged on the state of the dichotomous cartel theory. The content of this work was structured in the same way rather «Germanly»; its arrangement closely resembled relevant German textbooks regarding the items *cartel forms*, *cartel effects*, *relationship to the state*.

Because of the speed of the conversion, relapses occurred occasionally into the former (generalist) mode of perception and expression. Still, it was only the experts for entrepreneurial unions, who had found a new common conceptual basis, a multilingual thesaurus. But if office workers or translators took over formulation jobs without supervision, this still could lead to mistakes or to an unintended terminological choice:

- In May 1929, the Secretariat of the League of Nations avoided the word «cartel» in an anachronistical way.
- In the report of the association specialists of 1930 a mistake was made: The denotation «deutscher Konzern» (= «German trust or concern») in the German original text of the Lammers contribution (with the title («Der europäische Linoleum-Trust» (= «The European Linoleum-Trust»)) was to be found in the official language versions (English and French) as «German cartel» or «cartel allemand».²²⁷ In the sense of a dichotomous cartel theory this could hardly be more wrong!

6.3 The discourse on entrepreneurial combinations in later years

Promoted by the publications of the League of Nations, the terminology of Central European cartel theory became accepted in most countries around the world during the 1930s. However, the topic did not become popular, just because terminological standardizations had taken place. It remained a field for specialists, but with a regular flow of new publications, so for instance:

- 1929 William F. Notz: Representative international cartels, combines and trusts. Washington.
- 1932 Leslie F. Scott (ed.): Trade combinations in U.S.A., France, Germany, Poland. Paris. (Foreign law series).
- 1933 Herbert von Beckerath: Modern Industrial Organization. New York.²²⁸
Roman Piotrowski: Cartels and trusts. Their origin and historical development from the economic and legal aspects. London.
Juda Tchernoff: Ententes économiques et financières. Cartels, syndicats, trusts, holdings devant les lois civiles, pénales, internat. Paris.

²²⁷ Benni et al. 1930c, p. 60; Benni et al. 1930b, p. 88.

²²⁸ First edition as: Der moderne Industrialismus. Jena: Fischer 1930. Herbert von Beckerath emigrated in 1933, after the seizure of power by the Nazis in Germany, into the USA.

- 1934 Bruno Burn/Salomon Flink: Codes, cartels, national planning. The road to economic stability. New York.
- 1935 Karl Pribram: Cartel-Problems. An analysis of collective monopolies in Europe with American application. Washington.
- 1937 Didier Lazard: Les ententes économiques imposées ou contrôlées par l'Etat entre des entreprises similaires, publiques ou privées. Paris.
- 1939 Elizabeth Dussauze: L'Etat et les ententes industrielles. Quelques expériences.
- 1941 Jean Saint Germès/William Oualid: Les ententes et la concentration de la production industrielle et agricole. Paris.
- 1943 Ervin Hexner: The international steel cartel. Chapel Hill.
- 1944 Wendell Berge: Cartels. Challenge to a free world. Washington. (2. ed. 1946).
- 1948 George W. Stocking (ed.): Cartels or competition? The economics of international controls by business and government. New York.

The title formulations reflect the changes in economic constellations that occurred in the meantime. In 1933–35, for example, the USA attempted to introduce a state-controlled cartel system («codes»), until the Federal Supreme Court stopped the project.²²⁹ Other industrialized countries advanced systematically the coordination between private cartels and governmental economic policy.²³⁰ By the general impetus towards a state-controlled «organized capitalism»,²³¹ the cartelized enterprisers lost much of their autonomy – different from what their lobbyists in the Consultative Economic Committee of the League of Nations had striven for. Not internationally, but within the framework of the respective national states (except the United States), cartels were increasingly linked to the new paradigm of a rationalization, which would essentially also take place in the public interest.²³² A new development began in 1943, when Washington actively turned against cartels in world economy, initially as a war campaign against the Axis powers, then generally in a regulatory sense.²³³

Regarding terminology, it is remarkable that the generalizing terms for the forms of entrepreneurial unions did not disappear completely after 1929–31. This was essentially due to the words «entente» and «combination», which remained ambivalent:

- In its narrower sense, «entente» served more and more as the nicer synonym for «cartel», whereas «combination» mostly meant «concern» or «corporate group».
- In their broad, generalizing meanings, «entente» as well as «combination» were preferred when dealing with issues of competition law, such as the American «Antitrust». However, the combination of cartels and mergers in a single concept was not due to mistakes in economic understanding, but to practical interests of a socially constructed law.

The implementation of dichotomist concepts and doctrines around 1930 was thus not exhaustive, but was relativized by competing legal aspects. In modern competition law, generalizing terms have maintained a firm position. Thus, in German, «Kartellverfahren» (cartel suit) may also mean «Fusionskontrolle» (merger control), which has normally nothing to do with cartels. And in American English an «antitrust suit» means an action against cartels or corporations because of «trade restrictions», irrespective of whether the defendants are really «trusts».²³⁴

229 Leonhardt 2013a, p. 145, 252.

230 Fear 2007, p. 276; Schröter 1994, p. 470–481.

231 An internationally comparing study of this subject for the 1930s/1940s is regrettably missing yet. On the definition of the term for the 1920s: Winkler 1974.

232 Fear 2007, p. 276.

233 Leonhardt 2013a, p. 265–291.

234 The American scientific classification LCC still applies «Trusts, Industrial» in a broad, generalizing

6.4 The application of cartel theory despite engrained traditions of thought

The social forms of the acceptance of the German cartel theory in the second half of the 1920s were mostly implicit, seldom explicitly reflecting. Neither the German side triumphed nor the non-German one appeared to be affected in its self-conception by the terminological and conceptual transfers. For the broad public, the issue of enterprise unions was only of limited interest, even more the meta-level of its concepts and tenets, which was a notoriously dry material. In the circles of specialists, cartel theory and its implications spread internationally without any rumor, unspectacularly and as by nature. This change was usually barely commented – in Germany occasionally even overseen – when it was already manifest:

- The French economist Henri Truchy noted (in 1929) a dominance of the neologism «cartel» in France, which had in the meantime occurred: «The cartels, which for a long time had been called in France «syndicat de producteurs», before the expression «cartel» became definitely prevailing.»²³⁵
- The afore mentioned authors of the reference work on non-German cartels («Kartelle in Europa»), Paul Fischer and Horst Wagenführ, had not recognized the changed terminologic situation until 1929. They reported unaltered about the old French and English terminology of the pre-war period and the ethno-psychological explanation approach of the syndicate theory à la Paul de Rousiers and P. Obrin.²³⁶ By «The Frenchman is very individualistic and has a problem already with the pure idea of a cartel agreement»²³⁷, they cited Jacques Lapergue (1925), whose work still followed the traditional French conception very much.
- The German cartel author Richard Passow was (in 1930) better informed than Fischer/Wagenführ and stated:²³⁸ «According the German example, the term «cartel» is increasingly used also abroad.» He proved this for the French literature with the statement of Henri Truchy of 1929 and continued: «Newly, the expression «cartel» appears in English and American writings more and more frequently with and without «» [= quotation marks]».

The increased use of the term «cartel» alone did not lead to a more analytical approach on the part of the foreign scholars. How difficult it was for non-Germans to overcome their traditional ethno-cultural point of view can be seen from an example of 1927. The British economist Charles Hallinan, who wrote the preface to Robert Liefmann's (English-language) treatise on «international cartels», was at most halfway between his own intercultural prejudices and a recognition of the German cartel concept. At first, Hallinan saw the «German influences» on terminology as «predominant».²³⁹ «Various terms», such as «combines» or «syndicates

sense.

235 Truchy 1929, p. 267. Original quotation: «Les cartels, qu'on a longtemps appelés en France syndicat de producteurs, avant que l'expression cartel eût définitivement prévalu.»

236 Fischer and Wagenführ 1929, p. 103–107, 129–135.

237 Lapergue 1925, p. 228. French original: «le Français très individualiste, a [...] beaucoup de peine [...] à l'idée de l'entente».

238 Passow 1930, p. 1. German original quotations: «Auch im Ausland wird nach dem deutschen Vorbild der Ausdruck Kartell immer häufiger verwendet.» «Neuerdings erscheint in englischen und amerikanischen Schriften auch der Ausdruck cartel mit und ohne «» immer häufiger».

239 Hallinan 1927, p. 12.

[...] have lost ground to the German term, which has especially gained currency as the term descriptive of international private commercial agreements of whatever kind [...] now known as 'international cartels'. There is nothing accidental about the spread of the German word, for the new type of international industrial combination resembles more closely the German cartel than it does the combative, closely held American 'trust' or the loosely knit English 'union' or any of the other tentative forms of combination prevalent in the last quarter of the last century.»²⁴⁰

Thus, Hallinan tried to classify only, where German scholars had been able to explain since long. The latter usually traced any changed characteristics of cartels back to environmental factors and/or learning effects. Hallinan had not understood the analytical advantages of the German cartel theory, and so he derived the causes of its terminological prevalence from cultural factors: The 'international cartels' would essentially represent the «German model», which would be «defensive» in its organizational culture. Hallinan was apparently not able to give a deeper explanation for the perceived similarity, only the remark that the competing terms of 'trust', 'union' and 'association' had become «old-fashioned».²⁴¹

Thus, the international implementation of cartel theory had been complicated by existing traditions of thought, which were more or less incompatible with a modern institutionalist approach. These remains were long-lasting, notably in the English-speaking world. So, until the 1940s, massive relapses happened into obsolete concepts – also because the complexity of the matter was often greatly underestimated:

- In 1944, Wendell Berge, an assistant and later attorney at the Antitrust Division of the US-Department of Justice, saw a development from «trusts to cartels», and «cartels» were to him the «monopoly [...] in its latest [...] form».²⁴² This notion was contrary to a lot of empirical evidence, which by cartel theory had led to the tenet of a development path running just the opposite way from cartels to trusts. Berge's definition «cartels – which, in effect, are trusts magnified to an international scale»²⁴³ gives a further impression of his confusion between a novel international phenomenon and the traditional way of thinking about trusts.
- In 1948, an author team around the liberal economist Jacob Viner and the US-governmental official James M. Landis, published the notion that «cartels [...] being] enterprisers in industries subject to monopoly control ordinarily stop investing».²⁴⁴ This idea would have been entirely new to cartel theorists who had in contrary complained about the notorious overinvestment caused by cartels.

Nevertheless, since the 1930s, a large part of the American science on entrepreneurial associations followed, in its concepts and tenets, the cartel theory of German origin. Often, they were immigrants from Nazi-Germany, such as Karl Pribram, Frederick Haussmann or Ervin Hexner, who filled the gap in providing high-quality analyses on cartels.²⁴⁵ Only since the mid-1940s, some native-born American scholars, such as George Stocking, Fritz E. Koch or Corwin D. Edwards, caught up to some extent with their colleagues from German-speaking Europe.²⁴⁶

²⁴⁰ Hallinan 1927, p. 13.

²⁴¹ Hallinan 1927, p. 14.

²⁴² Berge 1944, p. 1.

²⁴³ Berge 1944, p. 2.

²⁴⁴ Landis, Viner et alii 1948, p. 408.

²⁴⁵ Leonhardt 2013a, p. 102 f.

²⁴⁶ Leonhardt 2013a, p. 182, 267 f. This new 'American classical cartel theory' was well informed and comprehensive. But at the same time, it was noticeably affected by prejudices and mistrust of car-

7. The implementation of German cartel theory on an international level – an explanation attempt

Chapters 3. and 6. above described the international spread of a theory, which was formerly confined to Central Europe. Chapter 3. showed that already in the 1890s the German-speaking economists had been more communicative and at the same time more success-oriented than their foreign colleagues, i.e. they paid relatively more attention and insistence to the export of their knowledge constructs. Chapter 4. demonstrated that the German cartel theory, founded in 1883, had also changed and advanced substantially, before it gained international dissemination by the end of the 1920s. In chapter 5., the most important differences in structure and quality that existed between cartel theory and the association and concentration studies of the Romanic and the Anglosphere were carved out.

Based on these findings, it seems possible to explain why history ran as it ran, i.e.: why cartel theory had to win against the competing doctrines, the Romanic syndicate studies and Anglophone combination theory. The model underlying this explanation applies the categories:

- scientific **quality** and modernity,
- scientific **communication** and transfer of knowledge,
- appropriate **timing**, at which enough actors, including the most decisive ones, are ready for conversion,
- **needs** for the use of an internationally unified construct of theory and terminology plus
- the **power** to implement the latter through a terminological standardization for the scientific or specialist work.

The process of formation and international dissemination of German cartel theory shall be traced by means of this red thread in a sequence and causal analysis.

Quality: The German cartel theory prevailed, because it was better, more accurate and more modern than its competitors – the theories about syndicates or combinations of the Romanic region and the Anglosphere. Crucial for this was the adoption of a dichotomous separation of «Kartell» and «trust» since the 1890s:

- According to epistemological standards, the transition of the up to then usual «collective hierarchies» for the business union forms to a «dichotomous hierarchy» was a progress of specification.²⁴⁷ As far as the cartel authors of German tongue applied the trajectory of cartel development to classify association forms as precisely as possible, the next higher level of a «sequence hierarchy» was also reached.
- In regard of ethnic prejudices, the Central European cartel theory was less affected than the Romanic syndicate studies being its Continental European rival. The dichotomously turned cartel theorists thought less in terms of national economic cultures²⁴⁸ than

tels, which made it different from the mainstream abroad. As a discipline, it turned to be unstable and transformed in face of the ongoing political enmity against cartels into a doctrine and method for curbing cartels. See below in chapter 9 under the term «modern cartel theory».

²⁴⁷ Riedl 2000, p. 90.

²⁴⁸ This issue existed also on the German side. But it was treated mostly with care, with a sense for possible prejudices and with orientation at the respective stage of development as well as at the framework conditions of doing business. For instance at: Levy 1926. However, this liberal attitude

in categories of organizational progress and learning processes. Thus, the economists of German tongue attested to the non-Germans that they (were actually delayed in the cartel movement, but also) would have the capability to organize their industries through associations, thus the chance to catch up by learning. Precisely this, in principle, same proficiency of all peoples was denied by the French economists under the leadership of Paul de Rousiers: Because of their character, the French would be hardly capable to adopt cartels (as well as trusts).

- In regard of the limitation to the most suited object, the dichotomous cartel theory was more advanced, in other words: more adjusted to the conditions of the material environment than its generalist competitors: The pretension to be equally competent for all forms of business concentration, had been dropped by the cartel experts in favor of a focus upon their core competency, the enterprise associations. By this, cartel theory was less prone to attacks, less falsifiable than the syndicate and the combination theory. It became an ideal ‘neighbor’ of a pure theory of corporations (corporate groups), which developed from the old trust* theory and therefore was acceptable for scientific innovators in the Anglosphere, who were in a similar way dichotomously oriented and did not want to occupy themselves with cartels any longer.²⁴⁹

The question arises why just the ethnically Germans had been superior to their neighbors in the creation of cartel theory. An obvious explanation could be the closer relation of economic practice and theory, which benefitted the Central European economists. Nowhere else in the world was the entrepreneurial cooperation in associations so frequent and dense as in the German Empire and Austria-Hungary, the ‘lands of cartels’. Although the enterprisers normally were reclusive (as occasionally had been lamented about), Central Europe, however, was the by far best place to scientifically observe and evaluate the subject, because of the multiplicity of cartel formations and trajectories of development. In the German-speaking region, the qualified personnel of lending banks or other organizational and legal advisory services got from their work substantially more and deeper insights into the complicated issue of the cartel movement than in other countries.

But why had the Germans been steadily ahead of other nations in the establishment of operational enterprise associations? There are indications that the demonstrable inclination to a collective, non-liberal, non-individual organization was based on specific cultural traditions of the German-coined Central Europe.²⁵⁰ There was no ‘cartel-gene’ of the Germans, but obviously a socialization that made it easier for them to deal with cartels (or comparable organizational forms). Accordingly, cartels became in Germany earlier than in other European countries legally certain in principle by getting treated benevolently by the jurisdiction.²⁵¹

Communication: Products need demand – for this they must be known first. In marketing efforts for their specific version of an association and concentration theory, the German-speaking party was, since the 1890s, more agile, persistent and dedicated than both the exponents of the Romanic countries and those of the Anglosphere. For the Central European scholars, the subject of cartelization and the transnational dissemination of their knowledge was obviously more important than for their colleagues of the other language areas. Because

towards other nations or ethnic groups might have been fostered by the growing influence of Jewish scholars (such as Levy and Liefmann) on German cartel theory.

249 The political and scientific perspective in the USA had changed. Since the trust-busting of 1911/12, the height of monopolistic enterprises in the United States was over. The trust problem was mainly solved for the time being, but not the problem of the mega-corporations per se. On the action against the trusts: Storli and Nybø 2015, p. 22.

250 Leonhardt 2015.

251 Richter 2007.

the Anglophones were more interested in corporations (trusts) than in associations (cartels), cartel theory was more suited for a scientific marketing in France (the economically leading country of the Romanic area). Since the 1890s, this strategy was followed by several notable cartel authors of Central Europe. Insofar, France appeared to be the state or nation, in which a change in the field of business association theory could happen most easily (and then indeed occurred): a breakthrough of cartel theory on an international level.

The categories of *quality* as well as of *communication* raise the question of the relative capability of the national academic systems. However, to speculate about this could prove fruitless: In all considered language areas, universities were functioning and experts were working diligently. Another factor seems to have been more influential, particularly in the relationship of Central Europe to the Romanic countries: the impact of a strong economy and strong state upon the self-confidence and the certainty of success of its residents. The sense of mission or even the chutzpa of a Robert Liefmann, who at the eve of World War I unapologetically ignored the French syndicate theory in a Francophone publication (!),²⁵² speaks volumes about the excessive self-confidence that had developed in the German Kaiserreich.

Timing: The assertion of a particular knowledge against other, competing knowledge constructs requires the combination of favorable conditions: a more appropriate, potentially more convincing construct (= quality) should be existent and available (= communication). The knowledge elites should in addition be open-minded and adaptive. The substitution of an obsolete doctrine by a new and more modern one means first of all a devaluation of the former intellectual capital, before compensation can come. The followers of the old doctrine must be under pressure to make a change so that a different knowledge is recognized as possibly more appropriate and then will be accepted. Actors outside the academic or expert circles could potentially speed up or slow down this process. Hence, *quality* and *communication* must be supplemented by *needs* and *power*.

Before World War I, the new product – the dichotomous cartel theory – was existing and – via several translations into French – also available. However, neither the German cartel concept nor the related doctrines had been adopted to a substantial degree. Compared with the constellation of the 1920s, the *need* for change and/or the *power* to implement such a change was obviously lacking.

In the 1920s, the dichotomous cartel theory kept being ready for adoption and was definitively taken over by the international specialist world by the end of the decade. The needs and the power that enabled this change are to be described below.

Needs: For this item, the question arises: what and whose needs? In relation to the situation of the scholars or experts, one could distinguish between an

- intellectual level, on which it is all about the most conclusive explanation of a problem or the most impressive theory for a specific topic, and an
- application level, on which it is about political or economic counseling and thus about the legitimization of entrepreneurial or political action.

The needs of the first kind would be mainly of academic nature and largely confined to the narrower circle of scholars and experts. The needs of the second level would have a wider scope, insofar they would concern the economic and political stakeholders.

The viewpoints of intellectual coherence – since theories about entrepreneurial business unions were not a precise science such as mathematics or physics – would be interpretable: From them, unambiguous conclusions could be drawn only with difficulty. But there are motivations to ascertain for the second level – the backing or encouragement of certain social positions.

²⁵² Liefmann 1914, p. 263.

Before World War I, enterprise unions still had to be considered as a predominantly national phenomenon. International cartels and trusts had just been launched. Even though this occasionally happened in spectacular forms, world economy or the national economic policies were clearly not dominated by international unions. The view of the generalists, the opponents of the dichotomous cartel theory, each country would exactly have those organizational forms best suited for it implied a fatalistic attitude and was inappropriate as a guidance towards a more competent business organization. But under the given circumstances this was defensible, because not easily falsifiable.

World War I changed this constellation fundamentally:

- The course of the world war as a struggle for production and supply brought about learning effects about forms of economic organization. On the basis of its advanced cartelization, Germany had been able to create a system of war corporations (war companies) and compulsory cartels, which took over governmental tasks of rationing.²⁵³ The Allies, however, had maintained relatively long liberal forms of supply and, despite a much greater material potential, temporarily came into serious supply crises.²⁵⁴ The reaction on this was: «Foreigners admired the outstanding cartel organization in Germany, by which the economy could be adjusted in a very specific way to the needs of war.»²⁵⁵ Thus, an advanced cartelization of the national economy was seen as favorable for political governance, and organizational issues had commonly gained attention as means to overcome problems.²⁵⁶
- On the part of the Allies, the world war had disproved an important presupposition of the generalist studies on business associations (especially of Romanic provenience): Organizational learning can happen quickly, and entrepreneurial cultures can change. Thus, every country has its options to actively seek more efficient forms of organization.
- The world war changed the economic and political balance of power. The Central Powers were most weakened: Austria-Hungary was smashed, Germany made smaller by territorial losses and was partially occupied. But also, the European victorious countries did not thrive, but suffered from problems of production, finance and currency caused by war. The reparation regime and the new borders according to the Versailles Treaty entailed unexpected disparities for enterprises and states.

As described in sub-chapter 6.1., international cartels were considered after World War I as a means of repair within precarious economic situations. Despite unfavorably knit new borders, foreign currency shortages, intergovernmental distrust or political immobility, international producers' cooperation could enable economic transactions that otherwise would have stopped or turned out to be less advantageous. Strategies of an international cartelization made international communication necessary. But its means were term systems that were each bound to a theory, a language and a cultural area. So, the selection of one of the available terminologies was necessary, providing its adoption by the other protagonists, who were in this respect of foreign language and culture.

²⁵³ Tschierschky 1918.

²⁵⁴ Leonhardt 2013a, p. 211, 535–539, 545.

²⁵⁵ Binz 1952, p. 11. Original quotation: «Das Ausland bewunderte die überragende Kartellorganisation in Deutschland, mit Hilfe derer die Wirtschaft in ganz besonderer Weise auf the Bedürfnisse des Krieges ausgerichtet werden konnte.»

²⁵⁶ One symptom of this change was the international debate on economic planning, which already began in the 1920s under the objective of rationalizing business. Bergen 1995, p. 7, 14–19. Thus, the cartel debate of the League of Nations was only part of a larger social movement.

Evidently, the need to enter into international cartels was not the same for all European nations. Italy, which was little integrated into the world economy, fluctuated in this matter until the early 1930s. Although Antonio Benni, chairman of the Italian industry association, had adopted the dichotomous cartel terminology, this was not representative of Italian economists. The latter adhered to the traditional, generalist syndicate theory until after 1945. The increasingly autarkic orientation of Italy took away the pressure to adapt to the dichotomous cartel theory.

Power: World War I ended with a paradoxical result in Europe: The economically most successful state – Germany – lost and had to give up its political hegemony on the European continent. France, on the other hand, had won and taken the lead in the League of Nations, alongside Great Britain. The new French initiatives to promote international cartels – whether with or without governmental/supranational controls – are proving a *mental revival* of the French elites, which recalls the later Schuman Plan after World War II.²⁵⁷ Even at that time, after the economic weakening of the rival by the war, France sought to use its newly acquired political pre-eminence to encircle its neighbor, who remained in terms of economic structure still superior. After World War I, the increase in political rank and power led to plans for an international cartel regime, which was to be decisively coordinated by the French state and/or French entrepreneurs. These projects were at least ambitious, if not illusory, in the face of the conflicting international interests that had to be overcome. However, the French elites behaved differently – more actively – than before the world war, when they met the economic backlog predominantly with idle waiting.²⁵⁸

It is unclear, whether it had much effect that the French elites did not pull together, but were divided: The French business strived for a worldwide facilitated international cartelization, the French policy (of the socialists) a supranational cartel regime. The industrial lobbyists in the Consultative Economic Committee of the League of Nations did everything in their power to prevent a conceivable, broader agreement between the states on a combined cartel promotion and cartel control. Such a position became apparent in the expertise of the juridical specialists, in which the conception of an American ‘Antitrust’ and that of a Continental European misuse control were equally described.²⁵⁹ A conceivable compromise concept of both, achieved by ‘harmonization of national legislations’²⁶⁰, could have been of interest to more countries than to France. Great Britain however, which managed and benefited from several international commodity cartels²⁶¹, would probably have been reluctant. Exactly these cartels, for instance that for natural rubber,²⁶² were a thorn in the side of the USA, and an internationally harmonized misuse regime would certainly have been welcome. In the end, however, this opportunity was not used by the pro-controls actors or was thwarted by their opponents, as far as the entrepreneurial cartel lobby in the League of Nations succeeded to immobilize the USA on this issue. Already at an early stage, Clemens Lammers had claimed a European emergency and had asked the United States to tolerate the necessary special measures, namely entrepreneurial self-help in Europe.²⁶³ This opened the way for a role of the

257 On this, for instance: Trausch 1995, p. 113–117.

258 See sub-chapter 5.1.2 above.

259 See above sub-chapters 6.1 and 6.2.

260 So the phrasing of the industrial experts of the League of Nations: Benni et al. 1930a, p. 9. Original quotation: ‘uniformisation des législations nationales’.

261 Bertilorenzi 2016, p. 259.

262 The USA was mainly due to the strong American motorization the world-largest consumer of rubber. The clash of interests of the United States with Great Britain at the supply with rubber was well-known at this time: Schulze-Gaevernitz 1925, p. 122; Kenworthy 1928, p. 45.

263 Lammers 1927d, p. 148–150.

League of Nations as a liberal cartel promoter, who sought only the acquisition and transfer of information and knowledge and no restrictions by administrative controls.

The realpolitical constellation of the League of Nations' cartel debate at the end of the 1920s, outlined above, shows why the dispute over concepts and theories about enterprise unions was decided in a pragmatic, almost procedural way. In order to enable the industrial and legal experts to fulfill their tasks as policy consultants, a common technical vocabulary was necessary. The prestige of the German cartel theory and the presence of its exponents in the expert groups ultimately determined the question of which national-cultural terminology and which background theory were chosen.

8. Criticism of the existing findings on cartel history

The language confusion that prevailed in the terminological field *Kartell/syndicat/comboination/trust* before World War I is largely unknown to present-day students of cartel history. This applies to the extent and complexity of the disparities in the field of terminology, while a fragmented knowledge about some former problems of understanding may be present.²⁶⁴ The research of historical cartels starts regularly, quasi normatively, on the assumption of clearly distinguished terms for ‘cartel’ and ‘corporate group’ or ‘concern’, without knowing precisely where these originated from.

The modern research on cartel history is, in principle, international in its thought and could only reach this on the basis of the terminological revisions that had occurred in the interwar period. In the present, all scholars stand on the fundament of a narrow, functionalist, dichotomous cartel concept. The former inconsistencies in the terminological field *Kartell/syndicat/comboination* were predominantly forgotten. In ignorance of them, the later born authors again and again have projected modern, standardized concepts in an uncritical and unquestioned manner into the history of business concentration before World War I. As a matter of course, it has been presumed that comparable and among each other compatible concepts and theoretical approaches to the topic of the entrepreneurial unions had been common in the industrialized, European or Western countries. On this, the following quotations:

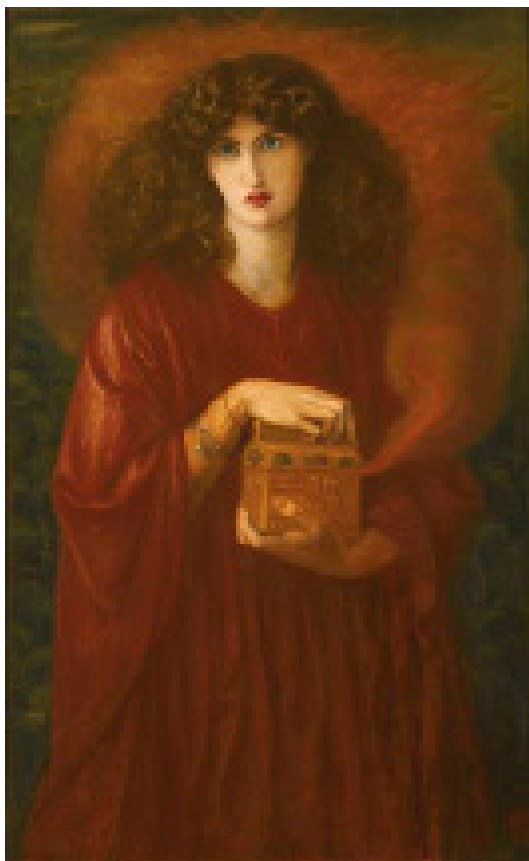
- Séverine-Antigone Marin wrote (in 2006) about the rejection of trusts and the praise of cartels in Western Europe around 1900.²⁶⁵ Doing so, she was not aware of the fact (or it was not important or not mentionable for her) that the French side still thought predominantly in other categories (*syndicat, entente, comptoir*) at that time. The fact that the German side was also split into two currents was identified by her merely with the trust criticism (for instance of Gustav Schmoller). She was also unaware that there was more behind it, namely not only a dispute about economic policy, but also a conflict about the terminological and conceptual system of the cartel⁺ theory.
- Harm Schröter denied (in 2013) that «the cartels [... were] a rather German organizational form» and recommended to dissidents an extensive reading of the «non-German literature».²⁶⁶ But exactly the study of the contemporaneous ‘foreign literature’, which had not been impaired by later emerged norms of thinking yet, makes it clear how far the notions outside of the German-language area differed from the German cartel theory. The corresponding books and articles also show how great the advance of the German-language scholars was in the understanding and delineation of cooperations among producers. Furthermore, these sources show how largely proficiency to form and run industrial unions was attributed to German enterprisers. The proof that even non-German nations already had cartels at an early stage is not sufficient to draw an internationally similar inclination, development and ability.²⁶⁷

²⁶⁴ For instance with: Storli and Nybø 2015, p. 19.

²⁶⁵ Marin 2006, p. 27–39.

²⁶⁶ Schröter 2013, p. 536. Original quotation: «die Kartelle [...] eine ziemlich deutsche Organisationsform».

²⁶⁷ The latter position is taken, at least in tendency or implicitly, by an international circle of cartel specialists within the ‘European Business History Association’ (EBHA) under the leadership of Harm Schröter. See several congress publications of the EBHA.



Picture 25:
The disaster (cartel theory) in Pandora's Box
(of the modern line of cartel studies and today's
memory policy)

The transition from the broad to the narrow cartel concept took place in the German language area between about 1890 and 1905. From 1903 on it started slowly in France, but took place there and in the Anglosphere mainly during the 1920s. Insofar as the modern study of cartel history registered these circumstances at all, they were misinterpreted:

- Klaus Herrmann stated (in 1985) somewhat astonished, Gustav Schmoller had «applied terms like syndicate, trust or cartel synonymously for a long time».²⁶⁸ Because Herrmann did not know about the line of development from the generalistic to the dichotomous cartel concept, he gave Schmoller the connotation of an imprecise scholar – a finding that the latter had not deserved, at least not for this.
- Also Séverine-Antigone Marin recognized (in 2006) some inconsistencies in Schmoller's conclusions. However, she did not trace them back to changes within his terminology.²⁶⁹ Just as well, she did not discuss the competition in term application in France between the neologism «cartel» and the well-known word «syndicat», which started at the same time, at the beginning of the 20th century.

As is well known, Robert Liefmann was the «top dog» of German cartel theory in the first third of the 20th century. The reasons for his hegemony have so far been identified in his personal qualities - acuteness, productivity, censoriousness. Generally, these findings are right, but an important factor for his assertiveness has not been elaborated yet: the timely recognition

²⁶⁸ Herrmann 1985, p. 46.

²⁶⁹ Marin 2006, p. 36, 38.

of Liefmann by Gustav Schmoller, the doyen of the Historical School, the prevailing economic school in Germany. Schmoller, who in 1905 wanted to condemn the trusts and to praise the cartels for Germany, needed allies who could scientifically plausibly justify and defend a sharp discrimination between the two forms of organization. In this respect, Liefmann had presented himself as particularly suitable, precisely because of his intolerant criticism. The unequal alliance between the senior champion and the junior careerist sealed the dichotomous modernization of the German cartel theory, thus fulfilling an important prerequisite for its later international dissemination.

Processes of terminological change (like with the cartel concept) have not been sufficiently recognized by the students of cartel history, particularly not in their complexity. To reduce them to only one leading factor, namely to economics, i.e. the aggressive international competition by the trusts, means to ignore social side conditions as well as the intellectual interest in a further differentiation of concepts. Thus, cartel historians, such as Séverine-Antigone Marin (in 2006), stated that the strict comparison of cartels and trusts emerged in the years closely before 1900. They traced this back exclusively to the economic competition between the 'trust power' USA and the 'cartel powers' in Europe.²⁷⁰ However, this finding is largely false for Germany and coarsening in regard of the terminological context for France:

- For Germany, it is right that the trust criticism of the early 20th century provided tailwind for the emerging dichotomists and finally even caused chief-generalist Gustav Schmoller to change direction. However, dichotomous notions existed among German speaking authors even long before the phase of the hostility against trusts.
- In France, the weakest of the major industrial countries in Europe, the rejection of the trusts began already around 1900 and thus sooner than in Germany. West of the Vosges Mountains, it was the conceptual generalist Francis Laur, who in 1900 excoriated the trust system for its scandals and brutality and in 1903 announced the German cartel system of the kind of the Rhenish-Westphalian Coal Syndicate as an example.²⁷¹ In contrast to Germany, the French generalists and dichotomists shared the opinion that the trust system would be inappropriate for their own national economy. Thus, the refusal of the trusts occurred in France *despite* the prevailing application of generalist terminological concepts like 'syndicats industriels' or 'accaparement', which suggested a preponderance of commonalities between cartels and trusts.

Other recent opinions on pre-1914 cartel history also need commentation. For example, it was discussed at the 'Colloque Europe Organisée' (of 2003), whether «une modèle européen d'entente» («a European cartel model») existed before World War I – a question that obviously was intended to trace European integration back.²⁷² Such a model did not exist, which can be inferred from two above-described findings: Firstly, the theories on business concentration and associations were divided by national or ethnical cultures: i.e. into the German cartel theory, the Romanic syndicate doctrine and the Anglo-Saxon combination theory. Secondly, the dominating (generalist) model of classifying the forms of unions followed likewise national-cultural lines (on the side of the Anglophone and Romanic authors) because of their division of the material by country or culture. However, there was an – at that time limited – exemplary effect of the German cartel system, which some business-friendly adherents of the French syndicate theory (Francis Laur, Jules Méline) recommended to their organizationally weak countrymen for adoption. There was no mood of European solidarity, but a feeling that each

270 Marin 2006, p. 36.

271 Laur 1900, p. 293–295; Laur 1903, p. 462 f.

272 After all, such a model was called into question by the contributor. Marin 2006, p. 38 f.

national economy in Europe was left to rely on its own. Thus, Laur (1900) in his role as industrial politician: «Let us build cartels of all kinds, because this is necessary for fighting against our neighbors.»²⁷³ Cartelizing as a means in the competitive struggle against the own neighbors – not a bit of a European communitarian sense ... Very similar was the position of interests at the meeting of the German «Association for Social Policy» («Verein für Socialpolitik») in 1905, as the advantages and disadvantages of cartels and trusts were weighed against each other.²⁷⁴ The comparison of world regions was a matter of social geography, not of common politics, also with Francis Laur's dramatization «This is what menaces Europe.»²⁷⁵

The relevance of the International Economic Conference of 1927 for the progress of an international cartel system has been pointed out several times in the literature, most recently in the studies of Dominique Barjot and Wolfram Kaiser/Johan Schot.²⁷⁶ The latter two have correctly identified the influential role played by the Germans, especially Clemens Lammers, in cartel questions within the League of Nations. Nevertheless, Kaiser/Schot overlooked the problems of the underlying terminology and theory, which the experts had to solve in their inevitably multilingual and multicultural debates. While the diplomatic negotiations on the cartel system did not lead to a breakthrough (consensus was only a political toleration by cartel-critical countries, such as the USA), the creation of an internationally standardized terminology for the forms of entrepreneurial unions was the more sustainable outcome.

273 Laur 1900, p. 293. Original quotation: «Faisons, des comptoirs, des ententes, des syndicats, puisqu'il le faut, pour lutter contre nos voisins [...]».

274 Weippert 1960, p. 125–183.

275 Laur 1900, p. 295. Original: «Voilà ce qui menace l'Europe!»

276 Barjot 2013, p. 1050–1062; Kaiser and Schot 2014, p. 196–204.

9. Backwardness and modernity in economic science of the 20th century

The study at hand on the early history of cartel⁺ theory is at the same time a contribution to the history of economic science on an international scale. The state of research about the latter is: Relatively to Anglo-American economics, which had become leading since World War I, German economic science became «backward» and kept being retarded and obsolete until the times of the young Federal Republic of Germany. Eventually, the German economists could only catch up by learning intensively from their Anglo-American colleagues.

This overall assessment is widely accepted in the German-speaking scientific community and was only occasionally somewhat modified.²⁷⁷ For Anglo-Saxon scholars, the specific degree of a scientific backwardness of other nations was rarely an important issue for discussion: At the latest since the end of World War II, the economic science of English tongue was spread and respected in the whole capitalist world.²⁷⁸ – How does the notion of a German «backwardness» fit together with the above-achieved result of a highly successful cartel theory, which at the end of the 1920s became the international standard for describing organizations of a cooperative capitalism?

Let us look at the starting position: At the end of the 1920s, the cartel theory of German or Central European origin had been internationally adopted. Nevertheless, cartels as a means of economic policy remained to be not uncontroversial. In addition, international tensions were increasing, especially between the Western powers and Germany, which was governed by the National Socialists from 1933 on. This was followed by World War II, which the Hitler regime lost. The epoch 1933 to 1945 was obviously too short, and the circumstances were all too unfavorable to let a theory of German origin become paradigmatic,²⁷⁹ just like the Anglo-American economic science was partly already at that time. The fact that the importance of cartel theory in the first third of the 20th century is virtually unknown today can therefore be interpreted as a result of World War II.

One might entirely agree with the statement of a German «backwardness» in the field of economic theory, if the meaning of «economic theory» would be confined exactly to those knowledge constructions and methods that are paradigmatic for the present forms of economic activity, i.e. a «modern», neoliberal economy without cartels and too much governmental regulations. These would be mainly mathematized, formalized and abstract theories of Anglo-American descent: micro-economics, macro-economics plus their specializations, offsprings and auxiliary sciences. Furthermore, it can be ascertained that indeed a turn in the concept of economics began in Germany and elsewhere in the mid-20th century, after the victory of the USA in World War II. This change has greatly altered the valuation standards of the academically established scholars of economic science.

US Antitrust → **cartel** (cartel ban)

Insofar as knowledge is implemented and confirmed basically by power, this turn against cartels is likely to have led to manifest, identifiable actions and provisions. A closer look reveals how the classical cartel theory lost any already gained status after 1945. This process

277 For instance by: Köster 2011; Hesse 2010; Janssen 2006. On approaches of relativization: Nützenadel 2005, p. 18 f.

278 See for instance: Rothschild 1964, p. 2.

279 The claim to possess a, compared to other nations, superior organizational know-how in the field of economy, named as «Kartelltechnik», was frankly claimed in the Third Reich around 1940. Leonhardt 2013a, p. 242.

can also be described in a constructivist manner viewing the graduated instruments²⁸⁰ now not for the attribution, but for the denial of scientific relevance: After World War II, cartels were – according to the American antitrust norm of ‘trade restrictions’ – criminalized rather soon and then were generally declared as obsolete.²⁸¹ The word ‘cartel’ became a formula for condemnation, used for instance for ‘drug cartels’ or for the assertion, Auschwitz would have been run by a cartel, namely the ‘I.G. Farben Industrie’.²⁸² Through such attributions, also the contemporary cartel theory was attacked, indirectly, but effectively.

In the Western world, a new, ‘modern cartel theory’, based on the standards of the American ‘antitrust theory’, emerged, oppressing the old, classical concept and scientific product. For Germany/Central Europe, this meant a major change in scientific orientation,²⁸³ for the rest of the world the dissolution or conversion of a not yet firmly established theory. The ‘modern cartel theory’ has hardly been a comprehensive theory, often rather a ‘cartel-suppressing guidance’, which was essentially infected or impaired by the negative legal norm of the ban on cartels. As far as a ‘modern cartel theory’ existed, the previous one could be presented as obsolete. This destruction of the former ‘grand theory’ on the subject led to the present situation of cartel theory: a diversity of narrow and incoherent approaches with specific methods, perspectives and knowledge goals.²⁸⁴

Since long, cartel researchers face the problem of a negative political assessment of cartels, which biases or impedes their work. The main line in this confrontation is the fundamental condemnation or disdain of cartels and cartelists. American scholars are known to be particularly engaged in this direction,²⁸⁵ but German researchers often did the same. Thus, recent German cartel publications strongly dispraised cartels even retrospectively, without any respect for historical contexts. This came from established academic historians, who should be obliged to a balanced consideration of their research objects:

- So, the historian Werner Abelshauser called (in 2007) the cartel-oriented enterprisers of the young Federal Republic of Germany ‘cartel buddies’, who were ‘for much too long accustomed to fiddle with each other’.²⁸⁶ He did this, although the German entrepreneurs had welcomed in their broad majority governmental controls against cartel misuses.
- Similarly, Eva-Maria Roelevink denoted (in 2015) the founders of the Rhenish-Westphalian Coal Syndicate as ‘infamous industrialists of the Ruhr’.²⁸⁷ Furthermore, she made the allegation, this cartel had practiced outwards and inwards an ‘organized intransparency’.²⁸⁸ She did not at all relativize this assessment by historical benchmarks for entrepreneurial behavior, i.e. she did not examine, whether such an egotistic attitude could just have been standard.

280 See above in sub-chapter 3.2. the staged set of instruments for the construction of scientific reputation.

281 For instance: Berghahn 1984, p. 248; Schulz 1997, p. 103–105; Bechtold 1986, p. 27–34.

282 But the ‘I.G. Farben Industrie AG’ was a large corporate group indeed, a ‘trust’, similar to those known in America. Leonhardt 2013a, p. 56, 59, 67, 276; Schröter 2011, p. 200.

283 Leonhardt 2013a, p. 71 f., 337–355.

284 See for this: Schröter 2013, p. 991, 999–1004, 1006; Levenstein 2007 (the chapters on ‘theory’). In this regard, I welcome Schröter’s call for a (re-)construction of a comprehensive cartel theory.

285 Schröter 2013, p. 991.

286 Abelshauser 2007. German original quotation: «Kartellbrüder [, ... die] viel zu lange ans Kungeln gewöhnt [waren]».

287 Roelevink 2015, back cover: «berüchtigte Ruhrindustrielle».

288 Leonhardt 2016b, p. 102.

The classic cartel theory appears in the light of those statements as a guide to immorality. Typical for the negative approach on cartels is the attempt to explain the phenomenon of an intense former cartelism by special socio-economic circumstances:

- In Germany, this perspective has some tradition and relates to the debate of the ‘German Sonderweg’. The scholars of this direction typically alleged that the Germans of the 19th century had been wedded to backward social norms and so could only develop non-liberal economic institutions. The most distinct approach to depict the former cartelism as totally anachronistic and thus irrational came (1986) from Hartmut Bechtold.²⁸⁹
- In the USA, the American legal historians David Gerber and Lee McGowan derived (in 1998 and 2010) the notorious cartel inclination of the Germans from their particular development as late-runners of industrialization.²⁹⁰ Economic liberalism is for this explanation approach nothing but the social norm and diverging experiences the result of regrettable constellations. In doing so, the fact of general advantages of economic cooperation and thus of a general need for cartelization²⁹¹ was denied. By isolating the Germans of former times as economically deviant, this direction also debased the corresponding scientific approach and theory in Central Europe.

Against this majority line, a growing opposition to the notion of the ‘in every respect bad cartels’ has formed. Scholars of several cultural or language areas share the opinion that the subject should be analyzed without any taboos:

- The British historian Jeffrey Fear for instance stated (in 2007) ‘studying cartels through a lens of conspiracy does severe injustice to [...] reality’.²⁹² He regularly denoted cartels not as ‘collusion’, but in a neutral way as ‘inter-firm cooperation’.²⁹³
- The economic historian of German origin Harm Schröter questioned the negative cartel image in principle in two contributions of 2011 and 2013. He provocatively characterized the ‘ban on cartels’ as an ‘absurdity’.²⁹⁴ This ‘verdict’ was illogical for him and the cartel system by no means only ‘a historically limited exception, a negative outgrowth of capitalist action’. ‘Laziness of thinking’ and ‘conservatism’ hindered more effective alternatives to the prevailing economic policy.²⁹⁵
- The Italian economic historian Marco Bertilorenzi understood (in 2016) cartelization as a form of ‘governance’, which had been legal and respected for a long time and was criminalized later.²⁹⁶

289 Bechtold 1986, p. 9, 70.

290 Gerber 2003, p. 70–88; McGowan 2010, p. 51.

291 In its widest sense including state control, state cartels and international agreements for market improvements.

292 Fear 2007, p. 268.

293 Fear 2007, p. 271.

294 Schröter 2011, p. 199. The German article of 2011 is more outspoken than the English version of 2013, and therefore the former is used here in a literal translation. Original quotation: ‘Kartellverbot [...] Ungereimtheit [...] Verdikt [...] eine historisch abgeschlossene Ausnahme, ein negativer Auswuchs kapitalistischen Handelns’.

295 Schröter 2011, p. 200. Original quotation: ‘Konservatismus [...] Denkfaulheit’.

296 Bertilorenzi 2016, p. 253–335.

Despite their open-mindedness, those scholars have not been aware of the existence of any classical cartel theory, which had elaborated and standardized the basic terminology and tenets of the subject up to the 1930s. Thus, Fear for instance presented essential findings about cartels as relatively new, which actually had been discussed in Germany more than a century ago.²⁹⁷ Similarly, Bertilorenzi referred to the doyens of modern cartel research, Barjot and Schröter, although earlier, classical authors had written much more about the relevant topics by using their broad contemporary empirical basis.²⁹⁸

The usual way to deal with the rich, but defamed heritage of the classical cartel theory has been to ignore that there had been such a theory. In some cases, this seems to have been done deliberately against better knowledge. However, this ignorance might have occurred mostly because of political taboos, academic mainstreams, peer pressure and incomplete information from the recent literature. Interestingly, German scholars, which have not been handicapped by any language barrier towards the old, classical master writings, provided the most striking examples of bizarre academic practices:

- Major cartel-historical studies (which have increasingly been conducted in Germany since the 1990s) did not refer to cartel theory, but explicitly to other, politically more correct approaches like the Cooperative Capitalism of Alfred Chandler, the New Institutional Economics, or the Systems Theory of Niklas Luhmann.²⁹⁹ Because the authors of those works kept applying the traditional cartel terminology (with its embedded concepts), the classical German cartel theory was still implied and present, while it was at the same time seemingly denied.
- If the topic ‘thinking about cartels’ had to be approached somewhat closer in the historical research discourse in Germany, a derogatory special treatment occurred. Roman Köster for instance wrote (in 2011) across 36 pages never about ‘cartel theory’ or ‘cartel doctrine’, but only about the ‘cartel question’ or the ‘cartel problem’, to which at best only ‘discussions’ happened or ‘studies’ were published.³⁰⁰ In a similar way, Jan-Otmar Hesse did not acknowledge (in 2010) the existence of a ‘cartel theory’, but only of a ‘debate on the cartelization of the economy’.³⁰¹ The thereby mentioned Friedrich Kleinwächter (at least the founder of the cartel theory of 1883) was to Hesse not worth to get any entry in the otherwise painstakingly kept index of persons. The subliminal message of the above quoted scholars was: At the relevant time, there was no ‘cartel theory’ existing in Germany, in the sense of a respectable, conclusive doctrine.

Regardless of the language area, there were even other means to disinform about the unloved subject matter ‘cartel theory’ or to encapsulate it:

- In modern reference books on history of economics or on social institutionalism, classical cartel theory usually did not even appear.³⁰² Only the Historical School of Economics, the mother of cartel theory, was mentioned almost regularly, which makes

297 For instance, his reference to the high complexity and ambivalence of cartels. Fear 2007, p. 285.

298 Bertilorenzi 2016, p. 50.

299 In this way: Schröter 1994; Richter 2007; Roelevink 2015.

300 Köster 2011, p. 269–305; Leonhardt 2016a, p. 69. In Köster's text ‘Kartelltheorie’ or ‘Kartelllehre’ never appeared, but ‘Kartellfrage’ and ‘Kartellproblem’. In German, the hereby done degradation is much more evident than in the English translation, because ‘Theorie’ suggests an ordinary discipline, while normally ‘Studien’ do not stand for this, but for single research efforts.

301 Hesse 2010, p. 350. German original quotation: ‘Debatte über die Kartellierung der Wirtschaft’.

302 For instance: Krumbachner (German) 1991, p. 155–177, 286; Scott (American) 2008, p. 2; Boldizzoni (multinational author group) 2016.

sense in a strategy for the suppression of knowledge: At least in its overall balance, the Historical School can be regarded as obsolete since just some time, and its approach is no longer seriously applicable in the current research practice. Conversely, attempts to refute the classical cartel theory could prove much more difficult.

- Historical cartel headquarters – i.e. cartel or syndicate buildings that have remained until now – have been strictly ignored (in this special legacy) by the agencies of monument protection.³⁰³ The aim or sense of this behavior is – evidently – to avoid any impressive illustration of the historical subject «cartel» by all means. The issue is now taken out of the public perception and remains, almost certainly, restricted to smaller circles of specialized historians. The neglected visualization of the former cartel system is a further means of suppressing also the traditional cartel doctrine.

Thus, the classical cartel theory became a victim of the Americanization and neoliberalization after World War II. In this regard, the discipline of history was anything but emancipatory. It followed very largely the norms that were set by the dominant political discourse, thus by the interests of the ruling political and economic circles. According to the presented findings, a different, because corrected interpretation should be appropriate for the history of German and global economic science. In the result, the classical cartel theory (plus neighboring doctrines like that of an intelligent market management) should have to be included into the canon of the historically relevant economic theories.

The German economic science of the interwar period might at large have been internationally «backward», but had by cartel theory occupied a field, in which it was world top. Because cartelization and governmental regulations increased worldwide in the 1930s, the Germans were better prepared for the foreseeable and at the same time desired changes in the economy than any other nation in the world. The German economic experts featured, as history showed, the expertise to manage quickly the conversion of their up to then semi-liberal economic system into a regime of tight controls.³⁰⁴

It is well known that the National Socialists abused the German economic miracle of the 1930s for the preparation of a war and, thereby, ultimately for crimes against humanity. Nevertheless, it is often unknown that the baselines of the Nazi economic policy were not at all set by the folkish doctrine of economics (*völkische Wirtschaftslehre*) of a Werner Daitz or Friedrich von Gottl-Ottlilienfeld.³⁰⁵ On the contrary, this was done by the more reliable expertise of the conservative elites, who had entered into an ill-fated historical compromise with the National Socialists.³⁰⁶ Up to the beginning of the 1940s, a new economic practice emerged that was unique worldwide: a capitalist planned economy with private property rights on the inner-enterprise level, but with extensive governmental rights for intervention in all other spheres. The underlying *theory of the controlled economy* of German type had no book form yet, instead of this it consisted, a bit unsystematically still, mainly of articles.³⁰⁷

303 Wikipedia (German) 2016: Kartellsitz (Denkmal). Some important previous cartel headquarters were torn down – so in Essen/North Rhine-Westphalia in 1997 the Ruhrkohlehaus with its syndicate wing of 1905 or in Berlin (about 1990) the building of the former syndicates for mineral salts at the Anhalter Station. Some other buildings, like that of the Stahlhof in Düsseldorf, are under monument protection, but not because of their original dedication, and are not indicated as former cartel buildings.

304 Leonhardt 2013a, p. 210–250, 331–336.

305 See: Daitz 1938; Gottl-Ottlilienfeld 1939.

306 Nazis and conservatives differed – ideal-typically – in the degree of racism, i.e. their irrational biologicistic orientation.

307 Leonhardt 2013a, p. 329.

The structure of that new concept of operating a national economy can be summarized as following:

«The doctrine of economic control (Lenkungslehre) of the National Socialist government was, despite its main origin from the body of the classical cartel theory, a qualitatively different and new matter. The entrepreneurial cartel doctrine was, in its character, private business-related, albeit in a comprehensive, each industry as a whole comprising manner. In contrast, the theory of governmental economic control was oriented to the national economy and state, but with a distinct interlinking to the sub-scenarios of the individual industries. As a planning instrument, the regulation experts in Berlin had applied amongst others the macroeconomic process models of liberal national-economics. Nevertheless, the «NS-Lenkungslehre» was based indispensably on elements of cartel theory or respectively cartel technique plus some related expertise of war economy. Important were the methods to standardize calculation, product norms and design, the industry-wide rationalization by introduction of new production techniques or respectively by closedowns of unviable enterprises plus the methods of optimal allocation by ration or quota. All these procedures had been present already at the «Machtergreifung» of the National Socialists; they were skills that often were expanded further during the 1930s. [...] To be able to apply those regulation techniques, the registration and participation of all economic actors was indispensable. Compulsory associations, «Reichsstellen»³⁰⁸ and other bodies for economic control struggled for well coordinated decisions with a high goal-orientation.»³⁰⁹

This doctrine of the controlled economy combined the German cartel-institutionalism with methods of Western economic theory. Reaching a new level of systemic coordination, German economic science had become again, for a short time, world top. It was not for nothing that meticulous contributions to the theory of the central planning economy³¹⁰ came from the capitalist post-war Germany, the Federal Republic of the 1950s, although this economic system was then practiced only in the Eastern socialist bloc.

Both the economic capability of the National-Socialist Germany as well as the expertise of its economic government («Wirtschaftsführung») and the originality of the underlying economic system were strongly repudiated after World War II. This was done by quite similar techniques as with the cartels and the classical cartel theory.³¹¹ Doing so, the scholars – such as the German economic historian Werner Plumpe³¹² actually preferred to be not really able to explain the performance of the belligerent Third Reich.³¹³

In the present perspective of diverse economic crises around the world, cartel-theoretical knowledge could be available and serve for intelligent regulations.³¹⁴ However, these should not be applied by enterprise groupings autonomously and unsupervised, as is the case in some recommendations of cartel history experts. The political appointment and control of entrepreneurial groups in connection with efficient, rapid decision-making procedures could provide a counter-model³¹⁵ to the current neoliberalism, which by mistaken entrepreneurial freedoms and diffuse monetary control creates more problems than it solves.

308 «Reichsstellen» were functional agencies for the whole Reich.

309 Leonhardt 2013a, p. 329 f.

310 For instance: Hensel 1959. Hensel had worked for years in the organizational apparatus of the German war economy. Leonhardt 2013a, p. 334.

311 Leonhardt 2013a, p. 372–391.

312 Plumpe 2006, p. 19–22.

313 Leonhardt 2013a, p. 749–751.

314 In this way for instance: Schröter 2011, p. 201.

315 Leonhardt 2013a, p. 391 f.

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Abstract

Cartel theory, being the doctrine of the cooperation between entrepreneurs of the same industry, was founded in 1883 by the Austrian Friedrich Kleinwächter. This theory, with its specific concepts, was essentially confined to the German-speaking world until World War I. Other cultural or language areas such as the Anglosphere and the Romanic countries had different terminologies and different insights into the topic: There were theories about syndicates, combinations or trusts. The peculiarities of the respective economic cultures hindered a unification of the terms, their meanings and their underlying theories up to the early 1920s. From the mid-1890s, German cartel theory had undergone several conceptual reforms and outdid its foreign-language counterparts in terms of differentiation. Until about 1910, cartel theory (besides American trust theory) had become the most respected theory on economic unions. After World War I, international cartels became needed. Since 1929, the terminology of German cartel theory became fundamental for the corresponding debates, which had taken place first at the International Economic Conference of the League of Nations in 1927. With the entry into the 1930s, the German cartel doctrine had become a scientific standard worldwide. This recognition makes it clear that German economic science was by no means in every respect 'backward' in the interwar period, which is the current state of research. Therefore, German economics was better prepared than any other national economic discipline for the development of an ever more organized economy as evoked by the extensive cartelization and state-initiated regulation of the 1930s. So, cartel-related expertise was increasingly used in the policy of the controlled economy of the Third Reich.

Picture list

The picture names in the text may differ from this list.

Photograph on the title page → Illustration 4.

Portrait photo of the author, 2016: © Holm Arno Leonhardt.

1. Ruhr Coal House, Essen 1952: after a postcard in the possession of the author.
2. Steel Yard and Rolled Steel House (historical buildings of sales syndicates), Düsseldorf 2012: © Holm Arno Leonhardt.
3. The founders of the first German Crude Steel Syndicate, Wetzlar, 1850s, taken from: Klotzbach, Arthur (1926): *Der Roheisenverband. Ein geschichtlicher Rückblick*. Düsseldorf, plate next to p. 10.
4. The founders of the International Aluminium Cartel, 1901, taken from: Bertilorenzi, Marco (2016): *The international aluminium cartel, 1886–1978*. New York, p. 3.
5. Gustav Schmoller (1838–1917): © Wikimedia.
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